

## **Historic, Archive Document**

Do not assume content reflects current scientific knowledge, policies, or practices.





4280.39  
M472  
Copy 2

UNITED STATES DEPARTMENT OF AGRICULTURE

Flower DU 8-7047  
McDavid DU 8-4026

Washington, May 2, 1968

Assistant Secretary of Agriculture George L. Mehren Calls for Attack on Hunger:

Assistant Secretary of Agriculture George L. Mehren said today that there is emerging a clear national consensus and commitment that there shall be no hunger or malnutrition among our people.

"America has the power to close the nutrition gap for all Americans and because we can, we must," he told the Nutrition Foundation today in New York.

Citing recent USDA surveys that point to a nutritional decline in American diets, the Assistant Secretary declared that not all malnutrition in this country is caused by low-income.

"The Department clearly has a two-pronged mission in collaboration with other people at the Federal, State, and local levels (1) to help improve the dietary status of those who can afford but, do not choose adequate diets and (2) to make food available to mitigate hunger and malnutrition and to help disadvantaged people become job-holding, income-earning citizens," Mr. Mehren said.

"To accomplish this mission we need new and better research knowledge and simple, direct standards to help find and identify those whose diets are not adequate. We need to know the real causes of malnutrition and then, on the basis of valid research, develop effective action programs to meet the problem," the Assistant Secretary stated.

"For some 105 years, it has been the mission of USDA to carry out a broad research program in food and agriculture and disseminate the findings of that research to the people of this Nation," Mr. Mehren explained. The Federal-State Cooperative Extension Service "the educational arm" of the Department has in recent years adapted itself to the needs of the urbanized and suburbanized society in helping apply new research knowledge where it's needed."

(more)

"Where there is need for food, USDA's action programs can and do help feed children and adults," the Assistant Secretary declared. "There have progressed more in the past seven years than in the previous 25 years. Child feeding programs have reached out to thousands more needy children with school lunches and now school breakfasts, under the Child Nutrition Act of 1966. Recently Congress authorized USDA to extend child feeding programs to hungry youngsters away from school -- in summer camps, recreation programs and such."

USDA family food programs have also been greatly expanded from 1200 operating counties in 1961 to 2200 counties today, and the number grows steadily as the USDA works to expand these activities, particularly in areas with lowest per-capita income.

Assistant Secretary Mehren pointed out that currently some 5.8 million people are being fed through either direct food donations or the Food Stamp Program, nearly double the number 7 years ago. "We intend to improve the nutritional impact of the food donations and to further detach food distribution from surplus or stabilization activities," Mr. Mehren stated.

He said the Food Stamp Program adds to the food buying power of low-income recipient families by \$15 million a month, enabling them to buy more food at local stores. The Assistant Secretary said criticism and attacks against this and the other food programs are often based on misunderstandings. The Food Stamp Program, he said is not a general income supplementary activity. It was designed by Congress explicitly to increase the income available for food.

"The Department has been working for many years to eradicate hunger to the very limits of its budget, available manpower and legal frame work in which it must operate. It is seeking new authority to do the job better," Mr. Mehren said.

He called the Citizen's Board of Inquiry report "Hunger USA" a generally good and useful document and expressed hope that it would help generate public awareness and support that has been all too lacking over the past seven years.

Assistant Secretary Mehren urged the food industry to "re-examine its position in the light of the recent citizen's report and called for partner ship and cooperation in the National mission to help feed the hungry."

- - - - -

USDA 1401-68

NUTRITION -- COMMITMENT, NECESSITIES AND PROGRAM

In the Economic Opportunity Act of 1964 the Congress declared it to be the policy of the United States to obliterate poverty. But long before that, this country had really decided against starvation and abject poverty for any citizen. This democracy rests upon principles of justice and freedom. It also rests upon the practical, concrete acceptance of the dignity and the worth of every human being. We know that dignity and worth are not separable among our people -- that if some are so blessed, all of us must have access to both.

Until the day arrives when every person will be able to earn the wherewithal to maintain a reasonable minimum standard of living and buy the food he needs -- until then, we will need to refine and improve our food assistance programs to the end that we shall wipe out hunger and malnutrition in this country.

Clearly there is emerging in this country a consensus that there shall be no hunger or malnutrition among our people. Parallel to this consensus, there is emerging a national commitment to that end. We in the Department share the consensus, and within our means -- the commitment.

America has the power to close the nutrition gap for all Americans. And because we can, we must.

---

Address by Assistant Secretary of Agriculture George L. Mehren before the Nutrition Foundation, Incorporated, at The Union League Club, New York City, New York, May 2, 1968.



We must, not only because it is morally right, but also because it is economically sound. Malnutrition can cripple the ability to work or learn and stunt the will to improve. So to improve conditions of poverty and ignorance, in many cases, good nutrition must come as one of the first necessities. It is immoral in this country in these years that children, the aged, the disabled, the alienated -- or anybody -- should be hungry or badly nourished. On a lower level of value, it is wanton inefficiency to condemn people to such status in perpetuity.

As a sort of a broad average and a grand total, Americans who are not constrained by poverty, ignorance, or isolation do eat well. But some Americans do not. We have been aware for some time that not all -- or perhaps even most -- malnutrition in this country is caused by low income. Many people -- well-educated people -- just don't know what kinds of foods are necessary for good health and vigor or do not understand the importance of a good, well-balanced diet.

Recently it was brought home to us that this condition is not improving -- it seems in fact to be worsening. Preliminary results of a 1965 nationwide survey of food consumption, conducted by the U.S. Department of Agriculture, indicate that despite higher income, and the fact that Americans may choose from among the greatest abundance and variety of wholesome nutritious food at the lowest real cost of anytime in our history, only about half of the households surveyed had diets that fully met accepted dietary recommendations. This was a drop of 10 percent over a decade -- the last survey made in 1955 showed that 60 percent of the households measured had such diets.

(more)

Even worse, perhaps, was the increase shown in diets -- where the 1955 survey showed that 15 percent of the households had such diets, in 1965 this figure had risen to 21 percent? Diets were designated as "poor" if they provided less than two-thirds of the recommended allowances for any of the 7 nutrients set by the Food and Nutrition Board as necessary for good nutrition and health. The word "poor" may be misleading for individuals as a measure of hunger or malnutrition, but it represents a meaningful and somewhat disturbing trend over a decade of great prosperity.

As might be expected, the highest percentage -- more than a third -- of households with incomes of under \$3,000 had diets that rated as poor by this technical definition. At each successively higher level of income, a greater percentage of households had good diets -- but high income alone was no assurance of good diets.

Out of all this, the U.S. Department of Agriculture has a clearly defined mission -- in collaboration with other agencies and people at Federal, State, and local levels:

To try as best we can to provide whatever programs are necessary to assure adequate diets and nutritional well-being for all Americans.

We must make food available to mitigate hunger or malnutrition wherever it is located -- and do this in terms of simple humanity as well as in the national interest.

We must use food and whatever other feasible means are available to us to help people become job-holding, income-earning citizens taking their place in the mainstream of American life.

And we must help to improve the dietary status of those who, though economically able to do so, do not avail themselves of nutritionally adequate diets.

(more)

How are we to achieve these missions?

First, we must develop operational standards that will enable us to identify hunger or malnutrition -- and that will tell us when people are well-nourished. We need simple, workable specifications for adequate diets on the basis of age, sex, and occupational activity.

These can be built from the base of the "nutritional reference standards" set by the Food and Nutrition Board of the National Academy of Sciences-National Research Council.

Without simple standards for identification of hunger and malnutrition -- couched in terms of foods rather than nutrients or performance attributes -- we cannot identify the hungry or malnourished; we cannot analyze their determinants; and we cannot build or monitor feeding programs.

We need much more thorough analysis of true malnutrition than is now available. We need to know more exactly which people are hungry or undernourished. We do not really know this now. More important -- we need to know why they are hungry and what difference it makes. We do not know this either. Until we have this analysis, it is not possible to identify alternate or optimal approaches to solving the problems of hunger or malnutrition or even to mount efficient long-run programs. We need this broader, deeper knowledge in order to find and identify those whose diets are not adequate -- and on the basis of valid research or analysis to develop more effective action programs with which to meet the problem.

We also must look to research to find the causes of inadequate diets among those who can afford to buy as much food as they want -- as well as those who cannot. Are people not aware of the importance of a balanced diet -- do they lack motivation to eat properly -- or do they simply lack knowledge of what foods are necessary for good health and vigor?

(more)



So long as our program resources are limited, we must set priorities as to groups which need attention -- children, the elderly, the disadvantaged, the disabled -- and build the programs necessary, whether they are to provide food, awareness, information, or motivation.

We must expand or alter our ongoing programs to meet more fully the needs that are identified.

The U.S. Department of Agriculture has research programs underway to increase understanding of what foods are needed for good nutrition, and in what amounts and combinations they can make the greatest nutritional contribution to normal, healthy people. This research is chiefly in three broad areas -- nutrition, food science, and food consumption.

Nutrition research includes the study of food and nutrient requirements of persons at different stages and different conditions of life. We are studying the effect of nutrient balance, environmental conditions, and other factors on metabolic processes. We are also doing research on the relationship of foods and of food combinations to such desirable attributes as longevity, reproductive capacity, and general well-being.

Food science research includes studies on food products that are of primary importance to consumers. We are looking for values inherent in foods and the changes -- natural and induced -- that occur in food between the farm and the table. One phase of the work deals with analyzing, compiling, and publishing the food composition of thousands of food products.

The food consumption program includes surveys of the kinds, quantities, and costs of foods used by different groups of households, and by individuals. We survey the practices of families in the purchase and household use of foods and appraise the nutritional adequacy of diets and food supplies. Our scientists interpret nutrition research findings and develop guidance materials that we hope will lead to dietary improvement in this country.

(more)

From an entirely different approach, other USDA research is directed toward improving food itself in relation to better nutrition. This starts with genetics, to improve plants and animals so that they will provide more of the nutrients we need for better diets -- more and better quality protein, for instance. The work continues through breeding, feeding, and management of crops and livestock to end with a better food products. So, production research is conducted not merely to increase efficiency on the farm, but also to provide better nutrition for consumers.

Our research does not stop with the processes that occur when food products leave the farm. We are trying to find better ways to handle and process these products to preserve and enhance their nutritional value. We have found methods of fortifying certain food products with nutrients that have not been grown in them naturally...wheat products, for example.

This type of work includes research in food management to develop improved methods to manage food in commercial establishments and in the home. The objective is not only to preserve nutritional value of foods, but also to prevent contamination and unnecessary spoilage.

As a matter of fact, we maintain a wide range of research on ways to assure the safety of foods. Most of our action programs on food safety are based quite directly upon the findings of research. Our studies include research on ways to protect foods from such contaminants as pesticide residues, antibiotics, disease organisms, and molds such as mycotoxins.

Food consumption surveys, also, provide the means for food and nutritional improvement. The recent extensive survey has provided specific information on the quantity and type of food used in 7,500 households. Many public and private agencies and individuals, the food industry, and educators have need for the

(more)



results of this nationwide survey. The information obtained will be helpful in guiding farm and food policies, as well as in appraising the nutritional adequacy of U.S. diets -- and designing programs to adjust deficiencies that are revealed.

Let me review, briefly, some of the things we have done and are doing to discharge the responsibility the U.S. Department of Agriculture carries with respect to the nutritional welfare of the Nation.

For some 105 years, it has been the mission of USDA to carry our basic research in agriculture and related fields, and to disseminate the results of that research to the people of this Nation. The effective pursuit of this mission finds us today the greatest agricultural producer in the world. More, it finds us with the capacity to assume leadership in trying to overcome the nutrition gap of a large proportion of the world.

Quality as well as quantity is a key factor in any consideration of nutrition. We in the Department of Agriculture are vitally concerned with the safety and quality of food.

We have for many years had informal relationships with other agencies to collaborate on projects involving food safety. A new Federal Committee on Food safety is being considered as a means to provide more formal collaboration. This committee will consist of top level representatives of the Department of Agriculture, Interior, and Health, Education and Welfare. This committee will review and make recommendations on the handling of present problems of food

(more)

safety -- and will try to anticipate those of the future. It will speed the exchange of information between the Departments and among international, Federal, and State agencies. The Committee could become a clearing house, airing and attacking such problems as the contamination of food and feed by bacteria, filth, fungi...and all environmental pollution affecting food, with the exception of those problems under the jurisdiction of the Federal Committee on Pest Control.

One of the oldest forms of food protection in this country is meat inspection, established in 1906, followed later by poultry inspection in 1957. These inspection services insure that meat and poultry products shipped in interstate commerce must be wholesome...be processed in a sanitary manner...packaged to prevent contamination and adulteration...and labeled properly and informatively. These laws have recently been strengthened, eventually to insure that all meat and poultry slaughter and processing will be under uniform standards to protect the health and well-being of consumers.

We all realize that, after all these precautions are taken, adverse conditions of transportation, marketing, or storage can cause spoilage and contamination before the food is eaten. It is the responsibility of industries such as some of yours represented here today to help us carry the ball at this point. After the meat and poultry products leave the packaging plant, you can -- and I am sure you do -- help in every way possible to see that these food products remain safe and wholesome.

Many other foods are also subject to USDA inspection for sanitation, wholesomeness, and honesty of labeling. In addition, we grade many foods according to quality so that consumers can know the product they are buying.

(more)

The regulations and standards involved in such activities are a protection for the industry as well as for the consumer. They help to maintain a steady and satisfied market for your products.

In most cases, industries have requested Federal assistance to establish grades, standards, and assurance of wholesomeness for this very reason -- as a protection against the few sub-standard operations that could jeopardize the entire market.

Given all of the things that I've discussed...great food production capacity...research and resources to turn this capacity into the most abundant, safest, and least expensive food supply in the world...modern, efficient commercial food distribution to get that supply to consumers everywhere...and increasing if still very inadequate knowledge of human nutrition -- given all of these things, what have we done and what progress are we making in using our capabilities to create nutritional well-being for all our citizens?

The "education arm" of USDA is the Federal-State cooperative Extension Service. The educational programs of the Extension Service through the years in the Nation's 3,091 counties have brought the results of agricultural and food research to farmers and to their wives and families.

As we have become urbanized and suburbanized, the Extension Service has adapted itself. Today, homemaker education is almost as much an activity of the suburb and the city core as of the farm community, and so is much of the youth work.

And we have action programs to contribute to the nutritional well-being of our citizens. For 22 years, the National School Lunch Program has been an instrument to foster and encourage better nutrition at school. To a considerable degree, the school lunch program not only helps to provide good nutrition, it also helps to provide good nutrition education.

(more)

During the past two decades, the National School Lunch Program has become an outstanding example of effective local-State-Federal teamwork. This teamwork has converted the scattered, widely-variable school feeding efforts of the '30s and '40s into organized programs that are vital to the health of millions of young people.

About 73,000 public and private schools are serving program-sponsored lunches this year. The standard for school lunches provides for milk, protein-rich foods, vegetables and fruits, bread, and butter or margarine.

This type of lunch not only nourishes the child, but exposes him to good food habits. By continued exposure, we can hope to help the child develop better eating patterns. Thus, in fact, the lunch itself is part of the educational process.

We are pleased with the progress made through the school lunch programs, but we are well aware that we have a great deal further to go.

For example, a problem that had not been generally recognized has recently come to public attention. The system of free or reduced-price lunches for children who cannot afford the regular price of lunches works fine on an overall basis in average, middle-income communities. In those areas only a small percentage of the children are in need. Over the years, some 10 percent of all children participating have received free or reduced-price lunches. This year, we have upped that percentage to about 13 percent -- or about 2-1/2 million children.

But there are many children attending schools without lunch facilities of any sort. Frequently these are old school buildings in cities or isolated rural school that don't have money, space, or resources to make lunches available in the standard form. And, unfortunately, the children at these schools are those most in need of help.

(more)



The Congress amended the National School Lunch Act in 1962 by adding authority and guidelines to meet the needy-child problem. The first funds to implement this authority were appropriated in the 1965-66 school year. So, while we have made a beginning toward a solution to this problem, it is only that.

We are making other beginnings. The Child Nutrition Act of 1966 enabled us to start pilot breakfast programs that this year reached some 150,000 youngsters at school, largely those from poor homes.

A new amendment to the National School Lunch Act carries authorization to help us bring lunches to hungry children when they are in group situations away from school -- summer camps, recreation programs, and so on. The same amendment also authorized funds to continue the school breakfast program.

We have asked the Congress to appropriate enough money for all of these child feeding programs so that we can move ahead and make further meaningful inroads on the nutrition gap among needy children.

Yet there are violent -- and basically unfounded -- attacks upon this program now. I think that many people fail to realize that the school lunch program was not passed exclusively as a welfare program or that we must operate within law and budget alike. I am proud of this program.

Essentially, we have made more progress in feeding hungry children and hungry adults in the past seven years than was done in the previous 25 years.

Two other action programs have been much in the news the past year or so -- and, in fact, the past month or day or so. They are the Commodity Distribution and the newer Food Stamp Program -- both used to provide supplementary food to poor families. The first does it by donating food -- usually

(more)

through State and local agencies -- directly to poor people; the second by enabling poor people to "swap" their food money for food coupons -- or "stamps" -- worth more at retail stores. Let's look at progress in these programs:

When Orville Freeman became Secretary of Agriculture in 1961, only 1,200 counties (out of 3,091 in the Nation) had a food program. It consisted of the distribution of five surplus commodities worth about \$2.20 per person per month. Only 3-1/2 million people were reached. President Kennedy's first executive order doubled the amount and increased the variety of these foods.

Surplus distribution provided only non-perishable foods and could not provide foods adequate to a balanced diet. We established a pilot food stamp program that allowed the poor to purchase a variety of foods in grocery stores. The Congress later made the program permanent and vastly enlarged it.

Today, 2,200 counties have food programs, two-thirds of the counties in the U.S. Today, 5.8 million people are being fed, nearly double the number 7 years ago.

Those still on direct distribution now receive 16 different foods worth four times the amount they received in 1961. These foods do not -- alone -- provide adequate diets -- but they approximate such levels far more closely. We intend openly to improve their nutritional impact. We intend as we can further to detach food distribution from surplus or stabilization activities.

Food stamp recipients add to their food dollars by \$15 million a month, \$180 million a year, to buy more and better food. They have a much more nutritious diet than is possible with direct distribution. We have regarded food stamps as one kind of bridge from relief distribution to participation by the

(more)

alienated in the mainstream of American life. There has been some trouble, but on the whole this has been a good program. It too has been attacked -- sometimes viciously and most unfairly. Again, it is not understood that this is not a general income-supplementary activity. It is designed by the Congress most explicitly to increase the income available for spending on food.

Although progress in our food programs has been substantial, we realize it is not enough. So over the past nine months the Department has gained commitments from local government to begin food programs in some 202 of the 331 poorest U. S. counties that were still without food assistance.

Reaching the remainder -- about 130 -- of the Nation's poorest counties has our top priority. In some of these areas local authorities refuse to cooperate. In mid-April, we initiated direct Federal distribution of food in one of these counties, Elmore in Alabama, when we were unable to get a commitment from the local government to administer the program. Similar action will be taken in a number of other counties. In addition, we are now paying all or part of food program administrative costs in many poorer counties that are cooperating.

We would do even more if we had more money to do it with. We have reached our budget limit during this fiscal year on extending food stamps to more persons. Extension of the program to more people would mean reducing the amount of bonus stamps to persons already in the program.

The Department is now working to eradicate hunger to the very limits of its budget, its available manpower and the legal framework in which it must operate. It is seeking new authority to allow it better to do the job of feeding the hungry and helping all Americans find access to better diets.

(more)



Let's talk a minute about "the other America" -- those people at the bottom of the poverty ladder whom we are trying to reach with food assistance. We in the U.S. Department of Agriculture are criticized severely in the public prints and in Congressional and non-Government reports for not moving fast enough and far enough.

I think we have moved faster and further than the general public conscience, and certainly, I repeat, to the limit of our budgets, manpower, and legal framework. And we have been doing it for many years. During many of them -- at least while I have been here -- public support has not always been adequate.

One of Secretary Freeman's early actions, after we had acquired a better variety of foods in 1961 for the distribution program, was to write personally to every Governor of the United States, urging their attention to the "pockets of poverty" that we know exist in every State and every county.

The most recent, exhaustive, and generally good and useful report is called "Hunger, USA," compiled by a distinguished Citizens Board of Inquiry. They see between 10 and 15 million people of our country living with hunger and malnutrition. They really don't know. We have long estimated -- and we really don't know either -- and set our goals accordingly, that there are at least 8 million people in need of our food assistance programs. I believe by the end of this fiscal year we will be reaching six million of them.

We welcome this latest citizens group to what has often been a lonely battle to eradicate hunger in this Nation. Some of their conclusions are invalid. They enter the battle quite late. Yet we welcome any help. Public awareness and public support of our efforts have been all too lacking over the past seven years.

(more)



It is unpleasant to be criticized or to feel that demagoguery uses human misery as a basis for group or partisan or personal advantage. Yet no one knows better than do some of our very recent critics what has been done in helping people to eat decently. We know what gaps remain. It does not hurt us to be prodded and perhaps our critics will help us get the resources we need -- as they have not done in the difficult days of the past. Perhaps the apparent sensationalism, the apparent violence of attack will help to prod public awareness from which public support may be generated. I fear only that the morale of the hundreds of thousands of people who built these programs from nothing to what they are today may well be hurt -- and gratuitously -- by violent attack. Yet these are strong people, who have done well.

I would ask you of the food industry, too, to re-examine your position. Amid the publicity generated by the criticism of USDA and the Federal Government, a section in "Hunger, USA" entitled "The Private Food Sector" has been largely overlooked.

The "Board of Inquiry" asked 75 food manufacturing companies what steps were being taken to determine the number of people now being excluded from the domestic food market because of low income, and what they were doing to remedy the situation. Thirty-five responded, and some are quoted in the report...including one from The Nutrition Foundation. I suggest some of you might want to read that section of the report. Criticism may have salutary impact upon business, as it does for government.

It comes clear that we need partnership and cooperation among many groups in the months and years ahead. We need to move forward on the domestic front with verve and enlightenment. But the problem goes deeper than just our foods.

(more)

We still have a ways to go when we come down to implementing our commitment that no one should go hungry in a Nation of plenty. It's going to take work, dedication, understanding, cooperation, and plain old money -- in large amounts to do the job.

We have consensus and commitment. We deal with two groups -- the mainstream American who does not eat well; and the alienated American who may be hungry or undernourished because he cannot help it. For the farmer group we must find means to identify the badly-nourished, and then seek means to build understanding and motivation. For the latter group, we must also identify those not yet touched. We must get good food to them, but we must also help them find means to get good food for themselves.

Neither task -- especially the latter -- will be easy. Both tasks -- and especially the latter -- are worth doing in simple respect for human decency. There are people -- children, mothers, the aged -- who are hungry. We don't know how many. There must be none. We don't know how much sickness, retardation of growth or premature death may be attributed to hunger or malnutrition -- but any at all is intolerably too much.

And so I reaffirm:

America can close the nutrition gap for all its citizens.

And I am positive that we will. As a prominent American said the other day, "The challenge is urgent. The task is large. The time is now."

# # #

USDA 1401-68



U. S. DEPT. OF AGRICULTURE  
NATIONAL AGRICULTURAL LIBRARY

MAY 1 - 1968

CURRENT SERIAL RECORDS

U. S. DEPT. OF AGRICULTURE  
NATIONAL AGRICULTURAL LIBRARY

MAY 16 1968

CURRENT SERIAL RECORDS

280.57  
M 472  
Cop. 2

## SCIENTIFIC CAREERS IN THE FEDERAL SERVICE

Once I discussed standards for graduate study and advanced degrees with my colleagues at Berkeley. The oldest had received his doctorate in 1912, the youngest in 1957. The conclusions were clear. Graduate standards were always high and times were always tough. But standards were highest and times were toughest at whatever period the speaker had done his study and gotten his degree.

I personally believe -- and fair-minded scholars will concur -- that standards may well have peaked in the late thirties. Those who worked their way through the days and years of the depression -- which was no easy matter -- also were among those who were being trained when many methodologies were first beginning to change drastically.

There is a generation gap in scholarship and research now -- as there must always have been. Now, as always, there are scholars and scientists who consider that students who will enter professional careers in the years just ahead have no truly serious problems.

Others of us do not concur. Those of us who have been close to this generation of students know that they are under heavy pressure, and perhaps kinds of pressure that we did not have to bear. Those of us whose offspring are in college or graduate training see this clearly.

The structure of university curricular has changed much in recent years. Now there are pressing necessities for intensive specialization in expanding fields of knowledge. There are necessities for

---

Address by Assistant Secretary George L. Mehren at the Agricultural College Forum, at Woodstock, Vt. sponsored by University of Vermont, April 18, 1968.

---



diversification, either as a base for future adjustment or for the requirements of living in a changing society. Many students face military obligations.

Finally, there is immense and increasing complexity in the requirements of the employment market. The level of technical skills has risen. There is clear need for competence in systems analysis and operation. And almost any kind of job now requires social, managerial and scientific training that differs from earlier times in nature as well as in scope and intensity.

The needs of the Federal government for professional and scientific personnel are also changing sharply. I think that we can, nonetheless, look down the road and forecast with acceptable accuracy the needs that will face us in the years ahead. We can do this because we can foresee our future activity, and in large measure we can make it so -- make it what we want -- if we choose. Doing so will specify, at least broadly, the career opportunities for students. It may also provide one out of many bases for appraising curriculum and research activities in the universities.

Technical requirements for Federal employment are shifting rapidly, but basic standards are rather stable and clearly defined. At the same time there is manifest need for a much higher measure of mobility in the careers of our people. Both of these trends -- which

superficially may appear antithetical -- clearly affect both graduate and undergraduate curricula. I think that they imply need for command of basic methodology, for capacity to communicate, for awareness of systems interrelationships, for interdisciplinary competence -- as well as specialized analytical competence in a major field.

I think also that they imply need to be aware fully that professional and scientific education cannot now end with termination of formal academic training. There is pressing need for personal growth while in Federal service. Looking back, I believe that there may have been inadequate emphasis upon these needs in the curricula of many colleges.

The fields of agriculture and natural resources are very broad when they are specified in operational or program terms. These two fields are even broader when basic or supporting sciences, and the general necessities of effective communication are also subsumed under the two headings. So -- and quite arbitrarily -- I shall consider for present purposes that agriculture includes activities associated with food, fiber, timber, and that natural resources closely related to these activities are also included.

If the fields be so defined, then most of the needs and opportunities for Federal employment are in the Federal Departments of Agriculture and Interior. Accordingly, the inventory of current employment patterns is limited to those two departments, and so also are the projections of future recruitment needs.

We in the Department of Agriculture are, and for some two years have been, deeply involved in programming all of the activities of the Department. In brief, we have defined our major missions and have broken them into categories, subcategories and elements, the basic building blocks of program. We have set goals or targets -- quantitatively where we can -- for all of these classifications. We have identified alternative ways of achieving these goals, and we have tried to optimize in selecting among these alternatives. It is, I believe, accurate to say that we now know better than ever before what we are doing, what we want to achieve in the future, and how best we may do so.

Among other things we have projected manpower and other necessities for achievement of these goals over specified spans of time.

Broadly, we have set out four major operating missions, and two general support missions -- and under these six we are able effectively to subsume all of the current and projected future activities of the Department of Agriculture.

We have given broad titles to each of our operating missions.

Income and Abundance includes our activities\* designed to help assure abundant production of agricultural and forest products, and simultaneously to help assure levels of income that are equitable



and adequate to maintain such production in the future. Some 18 of our major programs are classified in a subcategory that we call Farm Income. Under a subcategory called Agricultural Production Capacity we include our disease and pest control work. Agricultural Marketing and Distribution System is also a large category under which we classify our supervision, information, services, regulatory, promotional and market efficiency work. We also include for each element and subcategory the research, education, and resource work that is directly relevant to the various programs.

Under the mission or category that we call Dimensions for Living we have four subcategories. We classify our many food programs -- and as always the supporting research, education, or resources foundation -- under Diets and Nutrition. Our consumer protection work is subsumed under a subcategory that we designate as Health. Our various training programs -- and the extension support therefor -- are listed as Education and Training. And much of our consumer service and product quality activities are listed under Services for Living.

Communities of Tomorrow is in a sense one of our newer missions - at least in terms of formal enunciation. Yet it is one of our primary missions. The Department carries major responsibility for it, and it is a field in which future growth will be relatively high. We include our many activities under this mission in six subcategories: Community Development Services; Housing; Public Facility and Business Expansion;

Resource Protection and Environmental Improvement; Recreation, Wildlife and Natural Beauty; and Resources for Timber. As always, departmental support by means of research, education and resources is allocated to each element.

Growing Nations - New Markets is also a relatively new and growing set of activities. Here we include our foreign assistance and our foreign trade work in four subcategories: Food for Freedom; Foreign Market Development; Agricultural Development; and International Agricultural Services.

Science in the Service of Man includes all of our work -- done in close collaboration with the states -- to achieve and wisely to use optimal agricultural output.

Resources in Action covers our efforts to assure wise use and development of water, land, forests, and it also includes our programs in recreation, wildlife and natural beauty.

The Department of the Interior -- and to an increasing extent, other Departments -- share or collaborate in the achievement of some of these goals.

It is interesting to note that the Long Range Study of State Agricultural Experiment Station and USDA research, which started well before our departmental programming activities, was structured with

missions and research problem areas -- or elements -- much like those developed by the Department. Generally the future emphasis is much the same. In the 32 research task forces set up by SAES-USDA to implement the Long Range Study there is the same emphasis. The Land Grant Universities and the Department now are jointly planning, and are budgeting together in the preliminary or open phases of the budget process.

There is a long range program for extension being developed by a State-Federal-public task force. The relative emphasis appearing therein are closely similar to those of the Department and the joint Federal-State research study.

The needs and opportunities in the Federal service will be determined in part by relative priorities placed upon these goals. Specifically, the recruitment needs in Agriculture and Interior will be affected by (1) ~~separation~~ from retirements, resignations, transfers or deaths; and (2) establishment of positions needed to achieve the goals of the two Departments.

I have attached a table showing the number of employees in 1957 and 1966 and the estimated recruitment needs between 1966 and 1972 by major career fields for Agriculture and Interior together.

We shall need the largest number of recruits in the several fields of Engineering. Thus this is the general field in which there

will be the largest number of opportunities for students. Among others, we must find people who are specialists in general, civil, hydraulic, mechanical, agricultural, sanitary and chemical engineering. In 1957, the two Departments employed 4,314 engineers. The number had risen to 7,730 by 1966. Between that year and 1972 we must recruit some 7,197 engineers. Our continued emphasis upon soil conservation and the development and protection of natural resources generates this relatively high level of career opportunity in engineering.

The second largest need for recruits is in Conservation. This is a mature field, and we had 5,200 conservationists employed in 1957, and 5,881 in 1966. We shall try to hire 5,141 people in this field by 1972 -- a net increase of 43 percent since 1966. The training of most of these new employees will center largely in the biological sciences.

Food Inspection services will expand sharply, and we may well need a substantially higher level of professional competence in lay personnel. From 1957 to 1966, employment in this field rose from 2,714 to 4,397 people. Now as the meat and poultry industries grow -- along with others for which we have consumer protection responsibilities or services -- and as coverage is widened and intensified -- we are generating openings for some 3,548 employees by 1972. The 1972 projection may well turn out to be low. The veterinary and biological sciences will be the major disciplines upon which we must draw, although increasing competence in statistical analysis will be required also.



We had 2,860 foresters in 1957. By 1966, their number had grown by 109 percent to 5,971 people. We believe that we must recruit 2,708 foresters by 1972. These men are needed to help develop, use and protect our forest lands, to help develop our recreation capacity, to protect wildlife and to contribute to the level of natural beauty in the land.

The emphasis on engineering, conservation and forestry reflects the goals of our Communities of Tomorrow mission, but it also supports our Income and Abundance targets. Food inspection, a consumer protection activity, reflects our intent to expand several of our Dimensions for Living activities.

Similarly, the number of people working as wildlife and fishery biologists and refuge managers grew from 594 in 1957 to 1,597 in 1966. We shall need to recruit 2,456 people in these disciplines by 1972. This too is an opportunity generated by our Communities of Tomorrow program.

In 1957 we had 1,606 veterinarians working in programs of animal health -- for the double purpose of abundant and efficient production and the protection of human health. The number had increased to 2,123 in 1966. We shall try to recruit 1,666 veterinarians between 1966 and 1972.

We shall recruit 890 park naturalists and recreationalists by 1972. We had 333 in 1957 and 658 in 1966. We shall have 906 in 1972. This is and will for long be a growing field of work.

There is a wide battery of activities classified as biological sciences in addition to those listed under other headings. We include the fields of biology, microbiology, pharmacology, parasitology, physiology, entomology, nematology, botany, plant pathology, plant physiology, plant quarantine and pest control, horticulture and genetics. From a base of 1,566 people in 1957, there was almost a doubling of personnel to 3,040 in 1966. We believe that we must add 2,611 new people in these disciplines by 1972.

The people working in these fields of biological sciences will be deeply involved in virtually every element of our program structure -- from maintenance of abundant production, to enhancing the quality of living and of our environment to our efforts to be of help to other nations that want help. Perhaps as much as -- or even more than -- any other fields, these sciences are changing in nearly all dimensions and relationships. Methodology, instrumentation systems, and analysis are changing almost explosively in some of them. There is far greater involvement in the values, politics, technology, economics and sociology of life than ever before. The needs for services of these people are also shifting. The very nature of their research, and its application as well, shift as our purposes and our capacities to achieve purposes shift. So, quite naturally, the needs for specific kinds of education and training in these fields -- and among or between them as well -- are also in flux.

As one sharply defined example, the work in the fields of entomology and of plant quarantine and pest control is different from that of earlier days in many major attributes. We have been seeking safer, more specific, more efficient means to limit insect pests, and simultaneously to avoid needless adverse impact on environmental quality. In consequence, the Department now directs more than two-thirds of its research towards biological control, towards chemicals highly specific to particular insects, towards attractants, predators, parasites, systemic dislocations, sterile techniques and basic inquiries into insect physiology, pathology and ecology. These fields are now quite clearly purpose-oriented. In consequence the work is designed in systems -- and it is of substantial pragmatic significance.

We shall need to expand our work in soil sciences by hiring 1,468 persons by 1972. We had 1,416 people in this field in 1957, and 1,830 persons by 1966. This field also is changing in many aspects -- in some, it is changing dramatically. Once the primary activities of the soil scientist were in support of higher efficiency in agricultural production. Now in the Department as well as elsewhere, the soil scientist is deeply involved in programs in commercial industry, transportation, recreation and community development. He too is now working with people of other disciplines, and his work is often part of a complex and multiple-purpose system.

Agriculture and Interior together had 2,567 employees in the physical sciences in 1957, and 4,291 in 1966. This has been one

of the fastest growing areas of Federal service. In the years ahead -- to 1972 -- we foresee need to recruit 3,567 persons in these disciplines. Among the fields we include here are hydrology, chemistry, meteorology, geology, geophysics, ~~metallurgy~~ and oceanography.

The reasons for this rate of expansion are clear. There is growing need for analysis and activity in recreation -- in maintenance of environmental quality -- in assuring clean and adequate water supplies -- in using our land resources effectively -- in using marine life well -- and in exploring generally the character and potential of the oceans.

There is going to be a major relative -- if not absolute -- increase in persons working in the behavioral sciences. There is manifest need now -- and there has long been such need -- to find ways to measure the preferences and the trade-off attitudes of people towards many public and private goals. As simple examples, we need to know what people really want in such things as recreation, community development, market services, natural beauty -- and many others. We need to know much more about attitudes towards trade-off values -- or willingness to pay for various targets. We need to know how people are made aware of wants, how they are motivated and how motivation may be translated into activity that is optimal in terms of wants. Generally these are rather new fields and new purposes -- and education may not yet be geared fully to serve them.



In the two Departments we had no psychologists in 1957, we had 11 -- only 11 -- in 1966. We believe we must recruit 34 psychologists by 1972. And, considering our welfare, protection and development work that lies ahead -- this projection may also be low.

We had some 667 economists in 1957, and 1,095 in 1966. Our projections indicate need for 1,310 recruitments by 1972. This field too has hardened in methodology. It has led many others in analytical technique and in systems methodology. It has widened, and its subdivisions have become highly intensive. Economics taken alone has no substantive content. However, if choices are to be made within or among targets and alternative means of achieving them, then economic analysis must be applied to the input -- output data generated by other disciplines. So there will be need for this kind of work in all elements of our program.

We expect to need 366 more agricultural marketing specialists during this five-year period. We had 530 employees in this field in 1966 and in 1957. We are projecting a need for 101 new positions in addition to the normal replacement needs. The projection reflects the estimate of what we will require to maintain an efficient agricultural marketing and distribution system.

We must recruit 287 other social scientists and social workers by 1972. We had only 86 people in these fields in 1957, and

we had 151 in 1966, an increase of 90 percent over those years. The increase of 135 percent projected to 1972 sharply underscores the relative expansion foreseen in some of our newer missions.

In the past twenty-five years the nation has gone through what may be called revolutions in energy, in instrumentation and in the computer. There have been other changes that in hindsight may well be considered as radical. We have done much in program work that is based on the development of nuclear energy. I think that we shall soon be adjusting program to the bright potential of new instrumentation. We are already adjusting to the impact of the computer.

The field of computer systems operations and analysis was just opening in 1957. In 1966 we had 476 people working in these fields. This area will require some 576 recruits by 1972. There will be new fields that are not visible today -- and in all likelihood they will emerge soon. Here is an area of great opportunity for graduates. We see applicability -- even with currently available equipment -- for extensive use of these facilities and skills in nearly all of our work.

We had only 13 agricultural attaches in 1957. We had 109 attaches in 1966. We think that 27 must be recruited by 1972 -- 12 for new positions and 15 replacements. As new nations have emerged,

as trade expanded, as our own involvement in international affairs heightened, the need for such people has also grown. It may be that our participation in technical assistance may also expand in the future.

We had 278 agronomists in 1957 and a lesser number, 256, in 1966. We project recruitment at 144 by 1972. This is an important area in agriculture. Yet it is in a low priority classification. The reason is that most of the people in agronomic work are classified under one or another of the supporting scientific disciplines. These numbers reflect the shift away from concentration on training in production techniques.

Similarly, we had 488 people in animal husbandry in 1957. There were only 72 so classified in 1966 -- and we see need for only 51 new recruitments by 1972. Just as in agronomy, we now classify -- and in the future will recruit -- under headings of the several supporting disciplines.

In the field that we call general agricultural administration, we had 621 positions in 1957 and only 229 positions in 1966. We expect to recruit only 11 employees during the next five years. This is the lowest of all estimated magnitudes of need -- and taken alone, this estimate too is misleading. We do not normally recruit under this designation. Administrative personnel are usually drawn from other career fields.

These are examples of what we see ahead. While these projections are for Interior and Agriculture alone, there are similar opportunities in some other departments and in the State and local governments. We have no definitive projections of industry programs or needs, but we think they are not greatly different from ours. The two Departments employ all of the Federal employees in many of these fields. So I believe that our numbers are fair representation of employment opportunities in the national government in agriculture, forestry and related natural resources.

In sum, the two Departments must find and hire 35,990 people between 1966 and 1972. These are the job opportunities already visible to us, to the students and to the universities. I do not really know whether the students and the universities have adjusted or wish to adjust training in order to accommodate these needs. Perhaps we -- collectively -- should find out whether such accommodation is wanted or feasible.

An inventory of Federal career personnel was made late in 1967. Executives in Grade 15 -- and the three super-grades 16-18, were surveyed. These are high-level posts, with high-level responsibility. When career personnel reach these positions, nearly always they have worked their way up from the lower levels through the career ladder. One-fourth started below the GS-5 level. One-third of them



began at a level between GS-5 and GS-8. A few more than one-fifth entered between GS-9 and GS-12. And only 1.6 percent of the top career officials came in at GS-16 or above. These men -- with very few exceptions indeed -- worked their way up.

The same study indicated that nearly one-half of the top career executives intended from the beginning to make Federal service a career for life. One-fourth of them believed that they initially intended to stay only a year or so. The others said they had no clearly defined intentions when they started.

Thirty percent of them said they entered the Federal service because it offered the best opportunity to follow their profession. Some 23 percent of them said it was an interesting and challenging offer -- one-fifth said it was the best offer.

Other reasons given were motivation for public service, and emergency or special mission bases. There is good evidence that fields of training and work were systematically related.

Only 15 percent of the top career men held less than a Bachelor's Degree. More than one-fourth of them held first-level graduate or professional degrees. More than one-fourth held doctorates. Some three-eighths of these people had gotten Bachelor's Degrees or had taken graduate study after entering Federal service. It appears that graduate study pays off well in the Federal career service.

While academic training thus appears to be essential to successful service, professional mobility will not be attained without continuous in-service education. The job itself is often part of this process, but usually some form of individually structured training program for each employee is a clear necessity. We in the Department are doing this -- I am told that such tailoring is general in the Executive Branch. And the need for various kinds of in-career training activity seems now to be widely recognized by many of the professions or disciplines and by some of the universities. Surely the graduate who enters Federal service now or in the years ahead will be encouraged systematically to avail himself of broad-based and specialized types of continuing education.

In sum, most of us -- I believe -- know that there are in fact quite heavy and perhaps new kinds of pressures impinging upon students today -- not out of a general context of living which may be more stressful than those of earlier years but rather from the necessity for both general and highly specialized competences. The methodologies and the interrelationships of fields are changing.

Yet we and other agencies are now able to say with fair accuracy what we shall need in the years just ahead on the Federal career service. We can do this now because we can inventory present activities by goals and inputs -- and we can and do project our goals and inputs into the future.

We do not contemplate shrinkage of our long-established goals subsumed under our Income and Abundance or Dimensions for Living. Yet we do expect -- in general -- to have higher relative -- if perhaps lower absolute -- increases in our Communities of Tomorrow and our Growing Nations-New Markets goal, so we can identify our needs and in doing so we identify opportunity for students.

We have seen quite clearly that we in government have need and you in universities have broad and promising opportunity in engineering, conservation, forestry, wildlife work, recreation and in the supporting disciplines. These potential jobs are associated largely with the resources components of our communities mission.

There will be good potential -- and upgrading -- in food safety and consumer protection work, and in marketing generally.

We shall need expansion in the behavioral sciences, generally from a relatively small base.

We see expanding opportunity in fields that can be called computer systems and instrumentation systems -- we probably understate the potential here.

We can specify the kinds of competence we shall need in the many sciences that support our goal.

All told, we need 35,990 new people in Agriculture and Interior between 1966 and 1972. Our needs are much different from earlier needs in other days. There is and has been an open road, both upwards and laterally in the Federal service.

We have learned how to provide effective in-career training. I do not really know whether students and universities are adjusting, or whether they could or want to adjust their activities to these needs and opportunities.

-----



EMPLOYEES IN USDA AND USDI, 1957 AND 1966, AND  
RECRUITMENT NEEDS 1966-72 BY SELECTED CAREER FIELDS

Career Fields	Employees		Recruitment Needs - 1966-72
	1957	1966	
Engineering	4,314	7,730	7,197
Conservationists	5,200	5,881	5,141
Foresters	2,860	5,971	2,708
Wildlife and Fishery	594	1,597	2,456
Park and Recreation	333	658	890
Architecture	182	432	756
Food Inspection	2,714	4,397	3,548
Commodity Grading	-	2,334	825
Marketing Specialists	530	530	366
Market Reporter	193	205	75
Geography	34	41	123
Psychologists	-	11	34
Economists	667	1,095	1,310
Social Scientist, and Workers	86	151	287
Veterinarians	1,606	2,123	1,666
Biological Sciences	1,566	3,040	2,611
Soil Sciences	1,416	1,830	1,468
Physical Sciences	2,567	4,291	3,567
Computer System and Analysis	-	476	576
Agricultural Attaches	13	109	27
Coal Mine Inspection	239	234	153
Agronomy	278	256	144
Animal Husbandry	488	72	51
General Agricultural Administration	621	229	11
Total	26,501	43,693	35,990

U. S. DEPT. OF AGRICULTURE  
NATIONAL AGRICULTURAL LIBRARY

MAY 10 1968

CURRENT SERIAL RECORDS

FOOD PRICES

A 280.39  
1/14/72

No man born of woman will convince woman that food is a bargain. It may or may not be a bargain, but most people know intuitively that food prices are too high at any time or place.

Daniel Webster was once sued by his butcher for an unpaid bill. Webster met the butcher and asked: "Why have you not sent around for my order?" "Why, Mr. Webster," the butcher replied, "I did not think you wanted to deal with me while I was suing you." "Tut, tut," said Webster, "sue all you wish, but don't try to starve me to death."

Like Webster, eat we must. But, whether the food we buy is a bargain depends upon a great many quite irresolvable factors. Further, many variables determine the price of individual foods. So rather than debate the general and somewhat difficult question, "Is food a bargain?", we can examine the past impact of these determinants and then try to project their influence upon future prices.

Food Dollar Divided

Most Americans can buy enough basic foods. Unfortunately, many cannot and some do not. This is why we have such programs as donated foods, food stamps, school lunch, child feeding, and others.

Our level of nutrition is rising steadily. Eating for enjoyment is now a major factor in purchasing. Conveniences strongly affect the foods we buy. Services in part determine where we shop.

---

Address by Assistant Secretary of Agriculture George L. Mehren at the 2nd New York Consumer Assembly, New York, N. Y., January 13, 1968.

---

We get more for our food dollar than subsistence. Some of us may fail fully to realize that each of these other elements carries a price tag.

Our food dollar can be divided into two parts -- the farmer and the marketing agencies. Each must pay for the inputs used in getting the food to consumers with whatever collateral services go with it.

### Farmers' Share

For many foods, the farmer receives so small a part that if he gave his products away, retail price would decline very little. As example, the retail price of a one-pound loaf of white bread averaged about 22 cents in the third quarter of 1967. The farmer received about three cents for the wheat. With free wheat, the bread would still have cost 19 cents.

There are many other such foods. Among them are various bakery products, canned and frozen fruits and vegetables, ice cream, and others.

Farmers receive a larger share of the retail price for foods like eggs, fresh beef, chicken, butter, and cheese.

### For most foods, the farmer receives less than half of the retail cost:

On the average, he now gets 38 percent of the retail food bill.

These differences do not necessarily reflect differences in efficiency or profit margins among different industries. Rather, they reflect both the farm inputs and the inputs for processing and distribution.

USDA analyses indicate clearly that farm prices have lagged behind retail food prices the past two decades. Retail food prices have increased. Farm prices have remained steady or even declined. In 1967, farm value of the food market basket was less than 20 years ago and it was a much better basket. Increased retail food prices have not resulted from increased farm prices.



### Marketing Costs Increased

Marketing agencies perform many functions. Many of them are essential -- storing, processing, packaging, transporting, and distributing.

Marketing costs therefore are a significant determinant of food prices. Since World War II, marketing firms -- as well as farmers and other business -- have faced rising costs.

Labor costs -- about 42 percent of the food marketing bill -- have gone up steadily. As examples, hourly wages in food marketing establishments have increased over the last ten years at an average annual rate of four percent.

Prices of other inputs have also increased over those years. Services -- rent, insurance, maintenance, telephone -- rose about 23 percent. Prices of containers, packaging materials, fuel, power, and light increased by about four percent.

Only a great increase in productivity could offset these higher input prices. Food marketing output per man-hour increased at an average annual rate of 2.8 percent. Without this higher productivity, retail food prices would have increased even more than, in fact, they did.

A finger is often pointed at profits. Yet, higher food prices have been caused more by increased costs than by higher profits. Profits now account for about 3.6 cents of every sales dollar, about the same as a decade ago. Food profits are generally lower than those in other industries.

### Consumer Services

Many "consumer services" added to our food marketing system also add to marketing costs, and therefore to food prices.

These added services doubled since 1940, while food volume increased only 73 percent, generating a 16 percent increase in services per unit of product.

These services take many forms, including the extra labor to prepare, package, and maintain quality. Check cashing, parking lots, air-conditioned stores, and loading into cars are other forms of added services. They carry a cost.

Some consumers are willing to pay for these services. Others prefer lower prices and fewer services. A few may want both the services and lower prices.

Others object to proliferation of brands, fancy packages, and new products. They want lower prices on a narrower range of standardized items. So, does the consumer really have a meaningful choice of products and prices? Certainly, proliferation makes price evaluations difficult.

Alternatives to service do exist, but there is question of adequacy of alternatives among some people and also of effective procurement information.

#### Consumers Price Conscious

Consumers may be most alert to changes in food prices, because food prices are variable and food is bought frequently as a major budget item.

Yet, food expenditures may not be most rigidly built into the family budget. We commit ourselves to many monthly payments -- housing, cars, furniture, and appliances as examples. We budget these outlays and often pay by check. If we replace them, it is difficult to compare the new price against the old.

We generally pay cash for food, perhaps often what is left over after other expenditures. If the cash left over is short, we may tend to blame it on higher food prices.

Some of us may think of our "food bill" as the money spent in the grocery . . . forgetting that many nonfood items are also bought there.

### Food Price Changes

Retail food prices have increased from 1 to 1 1/2 percent annually. Prices of almost all other goods and services have increased at a higher rate.

Wages and incomes have risen faster than food prices. Per capita take-home pay has increased almost 4 percent per year since 1956. So, consumers spend a smaller percentage of income on food than ever before -- about 18 percent.

Food prices in 1966 were an exception to the trend. They rose 5 percent. There was much -- and proper -- attention from consumers, businessmen, and government. There were charges of profiteering and inefficiency.

Yet, the rise in 1966 was due mainly to reduced supplies of certain major farm commodities, compounded by a sharp increase in demand.

In 1967, retail food prices were steady at 1966 levels. Prices were substantially lower for eggs, poultry, and pork products in consequence of increased farm production. This leveling meant a drop in farm income of about 10 percent. It also, therefore, meant offsetting increases in the marketing bill.

Prices of practically all other consumer goods and services increased in 1967. For example, in October 1967, medical care costs were 10.6 percent higher than in 1966 ... apparel, 3.6 percent higher ... housing, 2.7 percent ... and transportation, 2.5 percent.

Moreover, and more important during most of the past decade, retail food price increases have lagged well behind prices of other consumer goods and services. The stability of food prices in 1967 helped substantially in holding down the overall cost of living.



### Looking Ahead

Retail food prices in 1968 are expected to rise by around 2 or 3 percent -- more than the average annual increase that has occurred in recent years. And farm level prices -- which are not expected to rise significantly -- will not be a primary cause, just as they have not been a primary cause in the past.

Within our economic system, there will be occasional short-term imbalances that will cause food prices to fluctuate. The cost of suppressing such fluctuation would be excessively high in any value terms.

Yet, we know now that in the long run, changes in food prices will be closely related to general economic factors . . . particularly wages and prices of inputs. Such changes will be less related to fluctuations in farm prices as time passes.

We know also that higher real prices at the farm level may be necessary to insure plentiful supplies of food. For many decades, farm prices and incomes have lagged behind nonfarm prices and income. This is one reason for the steady movement of people off the farms. This exodus has already affected certain types of livestock production. Small changes in supplies of food can have a large effect on retail food prices. We know that farm prices must be high enough to maintain production. If not, reduction in food supplies could well raise retail food prices much higher than we have ever known. And other severe dislocations clearly come from rural-urban imbalance.

We believe also that, for better or worse, the growing consumer demand for additional services will tend to increase long-term food prices. Rising consumer income increases such demand about 3 or 4 times as fast as the



demand for the basic farm foods. Thus, as incomes go up . . . demands for additional services go up . . . and retail prices go up.

In summary, food generally is of higher quality today than ever before. Convenience is built into many foods. Farm prices in real terms have not risen. Food prices have risen less than most other consumer goods and services. Changes in food prices will continue to be caused by many factors, most of which are beyond the control of farmers and marketing firms. Farm price changes are a minor influence. Major influences are generated by general economy factors.

The percentage of real disposable income spent for food is at the lowest point in history. Consumers work fewer hours for their food -- less than 8 hours per week to feed the family against more than 13 hours 20 years ago.

Since food prices have risen less than real income, consumers have been able to raise their general standard of living.

Efficiency increases in farming have been higher than in any other sector. There are unresolved questions with respect to adequacy of alternatives of product, package and service. There are unresolved questions with respect to adequacy of consumer information which is the main guide and governor of efficient performance.

Is food a bargain? This is a normative question -- answerable only by evaluating fact under given norms or values. The facts are clear. The norms and values are neither clear nor general. They are personal and irresoluble.

U. S. DEPT. OF AGRICULTURE  
NATIONAL AGRICULTURAL LIBRARY

MAR 12 1968

CURRENT SERIAL RECORDS

UNIVERSITY - FEDERAL RELATIONS IN AGRICULTURE

A few weeks ago, when Saturn V carried aloft its incredible payload of 3,000 tons, we all marveled at the scientific skill and engineering ingenuity the event represented. A thrust of energy equal to that of all of the electrical generating plants of America . . . the flawless operation of more than a million moving parts . . . these are stunning achievements.

As research administrators, you and I are probably most impressed by the organization of manpower and resources required. And as Werner Von Braun was heard to remark after the launching, "It is not so much the wonder~~that~~ man now will be able to reach the moon and pick up a handful of moondust. Think of the technology that was developed in the project!"

We have every reason to be immensely proud of this accomplishment. To be sure, it has its costs. A great deal more already has been expended in the space effort than in the past hundred years of agricultural science. But if our experience in agriculture is any indication, we can be reasonably sure

---

Address by George L. Mehren, Assistant Secretary and Director of Science and Education, U.S. Department of Agriculture, in a Panel on "New Emphases and New Programs in Education and Training," National Council of University Research Administrators, Washington, D. C., November 30, 1967.

---

that, as the space program progresses, the output in new knowledge and technology will return the costs many times over.

I can't think of any single event in the history of agricultural science and technology that would compare with the launching of Saturn V. But I can think of hundreds of lesser feats that, added together, have given our country the most efficient and bountiful agriculture the world has ever known.

While Saturn V was being readied for takeoff, an animal nutritionist and his graduate student several thousand miles north and west of the Cape had just completed another chapter in agriculture's success story.

For ten years the State agricultural experiment station at Fargo had been seeking new uses for flaxseed, one of North Dakota's more important cash crops. Much flaxseed was going into livestock feed as linseed meal, as it still is. But for some reason this still-popular feed could not be used in rations for chickens. They grew poorly and showed typical symptoms of vitamin-B deficiency. In a complicated, exacting, chemical search, the nutritionists found the substance responsible for this deficiency.

It could be purified into a white powder. A very small amount given a growing chick could quickly bring it to the point



of death from typical vitamin-B starvation. An injection of vitamin B<sub>6</sub> could then dramatically bring it back to lively good health.

The nutritionists began testing the powder against a variety of different bacterial organisms. They found that Salmonella typhimurium, an organism that causes intestinal infections in animals and people, is very sensitive to this powder.

They named the new antibiotic linatine after the generic name of flax. Leading drug companies are interested in the discovery. Although no one knows as yet what medical uses may be made of the substance, the fact that streptomycin and other wonder drugs have originated in the laboratories of agricultural scientists makes the industry ever watchful of these discoveries.

But there is a great deal more to the story than the end product of a nutritional mini-crash program. There are a hundred years of growth and development of a relationship between institutions of higher learning and a Federal agency serving as a focus for the missions of agriculture and support to meet its goals.

The United States Department of Agriculture and the State land-grant universities, with their agricultural experiment stations and cooperative extension services, make sure that agricultural research knowledge is never left to gather dust in

the laboratory. For more than a century, we have carried the results of our research into the field and seen them put into practice. Our scientists and educators take the time to show farmers, homemakers, rural youth, agricultural industry, and community leaders what they have learned.

I would like to tell you how this relationship evolved, and then to describe briefly what we are doing now and some of our mutual concerns in our academic relations.

In 1862, the Congress took action on two separate pieces of legislation with extremely important common bonds. One established a Federal Department of Agriculture. The other created our national land-grant college system.

At the outset, both suffered from a deficiency of knowledge -- knowledge for the colleges to teach, and information for the Department to disseminate to the people, one of its basic roles. Common bonds of concern developed between professors and Department specialists, between college administrators and Federal policy makers, until the course became clear. A system of research was needed to link the classroom, the student, the teacher, the scientist, the laboratory, the test plot, the farm, and the county agent's office.

Some of our German-born and European-trained predecessors

must be credited for their insistence that the experiment station is the model for effective university research. And by effective research, I mean that which not only uncovers the great principles and processes of science, but also relates them meaningfully to the problems -- and the enrichment -- of living.

Early experiment station models at New Haven, Connecticut, and Berkeley, California, were in existence when the Hatch Act of 1887 created the State agricultural experiment station system. The most unique aspect of this Act was its institutional grant feature.

Each State, in order to qualify for support, established an agricultural experiment station in connection with its college of agriculture, giving due consideration to existing stations. A formula based on rural and farm population assured geographic distribution of support. The autonomy of research administration at each institution was respected, and an effective working relationship of advice and consent grew between the institutions and the Federal department.

The station programs were responsive to local and State needs, and the Department program to regional and national needs. As these programs evolved together, bonds of common endeavor between State and Federal scientists grew also. Cooperative



research techniques and units were devised. Department scientists were located, whenever practical, at the universities. About 80 per cent of the USDA research effort today is centered in communities served by a university.

Around 1900, U.S. secondary schools became interested in specialized vocational education in agriculture, home economics, and the trades. This type of training was further stimulated by the Smith-Hughes Act of 1917.

It provided for Federal-State-local cooperation in the college training of vocational teachers and the conduct of high school vocational programs. Federal leadership in vocational education is assigned to the Office of Education of the Department of Health, Education, and Welfare. This agency works with State boards for vocational education and with local school districts. There is also close cooperation with the land-grant institutions.

Thus began a joint association in agricultural research and education -- education, that is, of the high school and college student and the scientist. A third element was needed -- a quick, practical way to extend the new knowledge being developed to the farm people and homemakers who could best use it.

The work of the Cooperative Extension Service, which



has been termed the largest informal, out-of-school extension education enterprise in the world, began with a man and an idea. The man was Dr. Seaman A. Knapp, an agricultural educator. His idea was the farm demonstration technique -- learning by doing. As Dr. Knapp explained: "What a man hears, he may doubt; what he sees, he may possibly doubt; but what he does himself, he cannot doubt."

In 1903, Dr. Knapp first persuaded a group of people near Terrell, Texas, to join with USDA in sponsoring a demonstration plot to teach southern cotton farmers how to cope with the destructive boll weevil. This learning-by-doing technique was pioneered by others in the North and West.

The Smith-Lever Act of 1914 established the Cooperative Extension Service. It is composed of the Federal Extension Service, an agency of USDA, and the Extension Services of the 50 States and Puerto Rico -- services which are integral parts of land-grant universities. The work is financed and carried out through a three-way partnership among counties, the universities, and USDA. The county agricultural agents, home economics agents, 4-H Club agents, and community resource development agents are its key workers. The training of rural youth is basic to Extension's success. So is the education of its key leaders for overall advancement of rural development in their respective communities.

Extension is now an established, practical, life-long learning program for thousands of people throughout the country. It has spread into most of the countries of the world.

As the association of research, education, and extension grew and developed, problems in cooperation naturally grew also . . . problems of overlap and duplication on the one hand, and of unresearched gaps in knowledge or its transmittal on the other. We needed to work more closely together.

USDA encouraged closer association among research administrators. As a result, a Land-Grant Association -- now the National Association of State Universities and Land-Grant Colleges -- was formed in 1887. The Association provides a common meeting ground each year for leaders in education, research, and extension. Equally important, it provides a national focal point for university opinion and action conjoint with the Department. It has played a vital role in shaping national policy and legislation, and in providing for the feedback of new ideas, for improved management, and -- when desirable -- for a reasonable degree of administrative uniformity.

This structure has enabled us to accomplish the first jointly developed, unified national program of research for agriculture in history.

We are now elaborating the superstructure for the program. In previous experience in putting together packages, we have learned that, unless the effort is fully cooperative with all of the States and unless the scientists themselves -- as well as the administrators -- are brought into the planning, the best designed programs can end in a blind alley.

Our starting point was a mutual agreement at the national level on a general design -- the principles of cooperation and broad policy -- for a Long-Range Study. Then a Task Force -- a joint USDA-State agricultural experiment station study group -- was appointed to define the goals, purposes, and scope of agricultural and forestry research to serve the future needs and values of the American people at the local, national, and international level.

Beyond this primary objective, the Task Force defined the logical follow-through steps:

- . developing a research classification system -- compatible with modern information retrieval methods -- in order to facilitate planning and coordination of publicly and privately supported research;
- . quantitatively inventorying Federal and State research activities by specific fields, and of industry and others

by broad fields, in order to provide a basis for future allocations;

- . projecting the research needed during the next decade to help people adjust to their changing economic and social environment, to improve their well being, and to meet the Nation's future requirements for agricultural and forestry products and resources;
- . recommending relative emphasis for projected research for administrators and the Congress to use in making judgments concerning the distribution and level of support for different areas of research; and, lastly,
- . considering the respective roles, responsibilities, and areas of cooperative effort among the Department, the State agricultural experiment stations, and others, and recommending improved arrangements for planning, developing, financing, coordinating, and administering the total agricultural research program.

To give you some idea of the scope of this effort, funding for agricultural research and development in Fiscal Year 1965 totalled \$854 million. Industry performed about 54 percent, the USDA about 20 percent, and the State agricultural experiment stations the balance. The USDA-State effort required about 10,000



scientist man-years in some 20,000 research projects occupying 30 million square feet of facility space.

As these specific facts were compiled, classified, evaluated, and reordered, and the needs for new and expanded research were identified, the pattern for a national program emerged: by goals, by problem areas, by resources required, and by organizational structure.

The research that will be required during the next decade to help agriculture reach its goals and to build a sound scientific base for continued progress in the years following is organized into more than 90 "problem areas."

According to the study, an average increase of 76 percent in scientist-man-years will be needed by 1977 to develop the new knowledge for these areas. Nearly 27,000 full-time new scientists will be required to provide replacements and carry out the program. The major supply will come from the land-grant colleges, which traditionally have trained our technical and scientific manpower for agriculture. Graduate students associated with the State agricultural experiment station programs in 1965 totaled 10,825. About a fifth of these are foreign students who will not become a part of the available manpower pool in the United States. We are assuming that the remainder will supply the needs of the recommended agricultural research program, as

well as those for teaching, extension, sales, and other sectors of the national economy -- by colleges and universities, by industry and government, and for self-employment.

To carry out this program, we will need nearly 11 million square feet of new research facility space. Renovation, remodeling, and relocation are constant efforts affecting research efficiency. The USDA and the State agricultural experiment stations have been particularly challenged to find an effective mechanism for joint planning and coordination on facilities. Planning in each experiment station is a part of the university program which, in turn, relates to State legislative action. The planning of the Department turns on annual Congressional review and adjustment.

The Long-Range Study has stimulated and generated new patterns of cooperation, not only between USDA and the States, but also among the States and universities. Research Directors-at-Large have been appointed and jointly employed by groups of States to plan and coordinate functions of the experiment stations more effectively, and to provide continuity in planning. Regional task forces of Federal and State scientists, discipline-oriented and mission-oriented, will elaborate -- at the regional and subregional level -- the broad programs developed by their counterpart national task forces.

The end-product will not be a prescribed, rigid recipe for national research in agriculture and forestry. Research is the product of individual, creative minds, inspired to seek new knowledge by the challenge of the unknown, by curiosity, or by a desire to solve a human problem. The national program is not an end in itself, but a means to channel and focus creative efforts toward national goals while providing State and national leaders with the mechanism to advise and consult on the means to support these efforts most effectively.

This type of planning is proving so helpful that the Secretary of Agriculture has asked that we in the Department extend it to the year 2000. So we have our work cut out for us.

This is the new emphasis in research.

The work of the Cooperative Extension Services, too, is changing with the times. In addition to helping farmers to grow crops and livestock more efficiently, extension workers also help farmers to supplement incomes with farm recreational developments. Extension is giving increased attention to small farms and to rural people who are forced to seek urban employment. Since 1955, USDA has attacked low-income problems on a community basis, with extension taking a guiding role.

On the other hand, the shift of population from rural



areas to cities and their suburbs has created a new type of county agent who concentrates on urban problems ranging from safe use of pesticides to lawn care.

In the past, home economics agents instructed rural homemakers in basic skills, and encouraged them to aspire to the fuller life enjoyed by urban families. With time, these rural-urban differences have nearly disappeared. Now, both farm and city women seek information on homemaking, family relations, and community problems. Home economics agents are also providing special assistance to senior citizens, residents of urban public housing, recipients of public welfare aid or donated food, and migrant farm workers.

Very recently we have embarked on a long-range study of extension objectives, scope, and programs. Like the study of research, this effort is being sponsored jointly by the National Association of State Universities and Land-Grant Colleges and the Department. Participation in this study involves land-grant university administrators, representatives of the Cooperative Extension Service in the States, representatives of the public, and members of the Department, including the Federal Extension Service.

The results from this study will guide the direction of extension for many years to come, providing some exciting new approaches and relationships. The findings will further strengthen



the cooperative working relationships of the Department, the land-grant institutions, and the local governments.

Now let me enumerate some of our mutual concerns in university-Federal relations and discuss what, if anything, we are able to do about them.

Certainly a prime consideration is the effect of Federal research and development on education and the growth and development of an adequate system of higher education to meet our future needs.

As the 1960 Report of the President's Commission on National Goals emphasized, the development of the individual and the Nation demand that education at every level and in every discipline be strengthened and its effectiveness enhanced. The Commission urged that graduate school capacity must be approximately doubled, that adult education should play a vital role, stressing a new emphasis on education throughout life, and that Federal aid to higher education must include support of research as an essential part of the educational process. Again, higher education moves forward.

Until the land-grant colleges were created, higher education was classical, and it was for the few and for the rich, both in Europe and, to a large extent, in this country. In

establishing these colleges, our forebears strove to give opportunity to everybody . . . opportunity for a practical as well as a classical education.

The research-education-extension trio is one of the real breakthroughs in the field of educational concepts. If it was, in fact, a subsidizing of education in agriculture and home economics when most other fields of education did not receive similar Federal aid, I think it proved its worth. It may have paved the way for the expansion of Federal financial support for education generally.

And I certainly believe that the land-grant example should still all fears that Federal support means Federal regimentation and dictation for our universities.

We now have a complete network of agricultural colleges -- many of them now great State universities -- serving every State and Puerto Rico. Each has an agricultural experiment station providing a device for graduate training and the development of new scientists as a part of the educational process and without disrupting it. Synergistic effects between the colleges and the stations have strengthened and advanced the causes of both.

We are not satisfied, however, that the impact of our research and development has been sufficient. Our Long-Range

Study recommends that the USDA enunciate and pursue a policy of broadening application of grant and contract programs. There are opportunities and needs both to expand our relations to include outstanding scientists and additional qualified institutions of higher learning and to increase support to outstanding competence within the State agricultural experiment stations.

One of the most promising developments here has been the initiation of a program to stimulate the growth of our forestry institutions and their training at the graduate level. Congressional response to this need in 1963 has enabled us to develop excellent working relationships with the forestry schools, and will double the output of Ph.D. scientists for the industry in a few years.

Another mutual concern in university-Federal relations must be the most effective use of our total research capabilities and potential. Geographic distribution of Federal support for research plays an important role in strengthening the academic capability of our institutions of higher learning. It may also lead to fragmentation and duplication. Our network of agricultural colleges and experiment stations is a real strength, and assures responsiveness to local and State needs. But we recognize opportunities for increased concentration and specialization at certain locations.

For a number of years we have been getting our own house in order. The Department's in-house research program has been thoroughly reviewed and realigned. Some Federal laboratories and research stations have been shifted, although not without difficulty in some instances where political considerations were involved. We are encouraging the State agricultural experiment stations to do the same. We have also reemphasized our policy to locate Federal personnel on university campuses whenever possible, where special facilities and equipment are available. The States have cooperated fully by providing joint appointments and teaching opportunities for USDA personnel.

Another concern that we need to resolve with the universities is facility planning. Facilities must be a corollary of program plans, and we are learning to correlate them through the mechanism of the Long-Range Study. We hope this planning will help to carry them through the budgeting and legislative processes to materialization.

These immediate, mutual concerns are by no means our only ones, or even the most important. The pursuit of excellence, the allocation of time by the scientist-professor, mobility and interchange of personnel, continuity of support, accountability, and the labyrinths of administration -- these are a few more waiting for full attention later. The long-range



study of extension will no doubt reveal still others that need cooperative consideration and action.

But we believe that mutual agreement on goals and objectives between the Federal and university sectors already represents a great step forward, and we intend to work at these principles until we are fully and mutually satisfied.

Education, extension, and research have this in common -- the importance of method. Lack of method characterizes the uneducated as well as the unscientific. Our efforts, whether as educators or research and extension administrators, should always be directed toward the development of better methods.

In closing, let me ask: Is the system we have talked about today a good model for other government-education relationships?

Only you can answer this question in your own situation.

We certainly believe that it's a good system for agriculture, and we use it as a model for developing countries that are trying to establish a stable and efficient agriculture.

In our own country, some Federal agencies find that the spinoff from the basic research they are doing is not very great -- that the public and industry generally are not making

much use of their findings. We in agriculture suggest this is at least partially because other agencies don't have the mechanisms for getting their research used. The prompt application of new technologies has been the genius and the secret of our agricultural abundance. It would be impossible without our three-way combination of education, research, and extension.

Agriculture's concerns -- food, clothing, and shelter -- are of course so basic that they touch and interest every living being. Some other fields of research are somewhat harder to relate to our daily life. However, as research and education become ever more sophisticated, it is even more essential that the man on the street understand generally how the new technology will affect his own and future generations and how they can make use of it.

Exciting things are going on in research and education -- the consortia of neighboring colleges and universities . . . the growing use of educational television to raise the sights of mass communication . . . the tremendous demand for adult education in everything from flower arrangement to nuclear physics. The ivory towers of the scientists and the ivy-clad walls of the universities are moving to Main Street . . . and the scientist, the professor, and the man on the street are all the better for it.

ENTOMOLOGY: PRECONCEPTIONS OF A LAY ADMINISTRATOR

I am happy to have this opportunity to take part in your annual meeting. It is always a pleasure to address, and even more to work with, scientists whose professional activities are in some ways distant from my own, and in other ways, quite close. As an outsider to your profession, I shall assume that it is safe to speak frankly and with honestly recognized personal preconceptions or misconceptions -- and I may even be able to venture into sensitive areas with less danger than might afflict a member of your profession.

I speak tonight as an economist and research administrator...as a scientist of a sort, trained more rigorously than you might think, but supported or perhaps inhibited by no more formal exposure to entomology than introductory courses. So I base my views in part on what I have observed of entomology and entomologists during my years on the faculty of a university -- in which there are four distinguished entomology departments -- and more recently as Director of Science and Education in the U. S. Department of Agriculture.

---

Address by Assistant Secretary of Agriculture George L. Mehren before the Entomological Society of America, New Yorker Hotel, New York, New York, November 28, 1967, 7:30 p.m.

---

Within these constraints, I offer my view of what entomology is all about -- or what to me in my post it seems to be all about. If I rattle a few skeletons in the process, it will not be done with any measure of hostility either to a field or to its practitioners, for both of these I do respect highly.

Let me begin by asking a quite sensible lay question -- What is entomology?

There does not seem to be any single definition of entomology in the textbooks. This is not surprising or unique to this discipline. Webster -- who may not be the most persuasive authority -- gives this explanation: "The branch of zoology that deals with insects." He further states -- reassuringly -- that zoology is a science. One may then conclude -- if there be anything to Jevonian logic -- that entomology is the field of science that deals with insects.

I find such a definition much too circumscribed effectively to encompass the activities I see each day that are called entomology. I do not, of course, in any measure question that entomology is a science. I know that entomologists draw upon many disciplines. But the word "science," in its popular sense at least, is too narrow to embrace even that which goes on in an entomology laboratory or in open environment research, to say nothing of the many other activities subsumed under the word. It



is said that entomology impinges upon everyone who has ever swatted a fly or dodged a mosquito or eaten an unsprayed apple -- and, far more important, it impinges quite directly upon many other persons, institutions, activities and fields of scientific inquiry.

I consider science to be a methodology -- the posing of structured and narrowly limited but conceivably answerable questions; the formulation, test, and rejection or non-rejection of hypotheses. This technically, and broadly, is the operational meaning of science in all disciplines.

This is why I believe that the field called entomology is, in its generally accepted meaning, more than science. Operationally it is fully based upon scientific methodology. But in it -- again operationally -- there are elements of economics . . . aesthetics . . . politics . . . and sometimes a deeply-seated touch of ethics.

If these varied facets of entomology are explored as a set of activities, there is system in this fascinating field -- system that is intellectually and aesthetically attractive. The parts of the system seem to fit well, without discernible central direction. It is a lively field, it is on the frontier, and it is moving.

The Science of Entomology:

As a science, entomology is an impressive field. The questions being asked are elegant. They are of pragmatic and methodological relevance. Theory is developing at a rapid pace. Hypotheses are carefully drawn, with the touch of art that seems always to distinguish good from bad science. Both hypotheses and testing methods seem fully to draw upon new bases of instrumentation and computation, and upon relationships found in other disciplines. And I believe that much lies ahead in the near future. In fact, I rather envy those who will do research in entomology -- and in other life sciences -- in the years or even the months just ahead of us.

About a century ago, entomologists were heavily, perhaps primarily, involved in taxonomy, as were the scientists in many other disciplines that then still were new. Many scientists were observers and classifiers of insects -- and from these taxonomies there were simultaneously derived the basic structural interrelationships of a true science. This progression, again, is not unique to entomology or to the life sciences.

Yet in entomology, perhaps more so than in many other fields, a compelling set of pragmatic necessities has sharply affected the major attributes of the field. Purpose is a major determinant of scientific inquiry in entomology. The needs to control harmful insects and to do so at tolerable levels and with

minimal hazard have had major impact on research design. In recent years, these needs have also generated systems designs in research, and they have led to expanded interdisciplinary activity.

I have always felt that a research question with mission implications was not for that reason alone less impressive, less complex, less elegant intellectually, or less satisfying in its resolution than so-called basic issues. And some entomologists do not now seem to be so persuaded. Yet, there is healthy awareness of the need for inquiry into questions the single immediate impact of which may be an improvement in research methodology itself. Furthermore, the new knowledge requirements of oriented missions in entomology research also have pointed up the need for expansion of unoriented or basic research.

So it is clear that entomology as a science is far removed from taxonomy, although much is yet to be done in that activity. And it is by no means simply an instrumentality in control processes. To a layman, the work I have seen in insect physiology, pathology, ecology, demography, even insect sociology, and many other elements is most fascinating. The work in biochemistry and in biological systems and subsystems, in such fields as audio-visual apperception and reaction -- and some of the work in attractants -- are most impressive.



The research results which I have now seen in many parts of the nation are compelling in impact. It is not merely that pragmatically oriented entomology research has served operating missions so well; or that basic research is often done with at least a distant eye towards its application. It is not only that aesthetically pleasing design is often seen, or that other fields and new means of perception are quickly worked into design. Mainly, it is impressive because the people in it seem clearly to be enjoying themselves, and this is a major stimulant of good research. There are potential breakthroughs close to the very meaning, and perhaps the ultimate manipulation, of life itself. There are fascinating questions yet unanswered, which soon may be susceptible of test.

I have always felt that a good scientist is -- among other things -- a restless poet, a mechanic, and a masochist. There is art in building research design, and especially in framing research questions. Without technical competence, which does not come easily, valid test is impossible. Without harsh self-discipline, there can be no adherence to the narrow, demanding, and ultimately arbitrary rules of science methodology. All of this I see in much of our entomology work -- and I can tell from faces that our entomologists enjoy their work. And they can also tell a layman what they are doing, and why.

So I fail to see why in a few instances some ancient



practices seem to persist and why in a few instances that which appears to me as opportunity is not quickly grasped. Yet, again, you are lively people in a lively field. It is a fascinating science and you are good scientists. In the work I see in my job, I would rate entomology among the highest in terms of scientific quality.

Yet, I also see many aspects of application or research findings of great importance to people -- issues that are generated in part by the science of entomology but cannot be resolved by it alone. That I must work on allocation of resources to many competing activities, on budgets, and on matters of production, trade, international relations, differing values and interests -- in all of which entomology is a major element -- may well color or perhaps even distort my reactions.

#### The Economics of Entomology

For example, it is difficult and perhaps undesirable to try to disentangle the science of entomology from the economics of entomology. From the work of the entomology scientist have come immense benefits to mankind -- in efficiency, in health, in quality of life. Yet with these benefits there has been, and often is now, the hazard of adverse impact in terms of both economic and non-economic values. And so there is always a set of constraints impinging upon application of research findings -- toxic effects, long-run costs, alleged or real ecological

dislocations, or hostility to received value constructs. Thus, in the operations of entomology, there are explicit trade-offs within and among value constructs, and these are major components of economic analysis.

The control of insects -- including the scientific components of control -- is an immense industry. It grew in a context of close and continuing relationship among entomologists, extension and industry people, and the users of control mechanisms. Domestic sales of insecticides now amount to about \$275 million annually, and yearly exports exceed \$100 million. Research expenditures by government amount to about \$43 million. In the Federal-State complex of agricultural research there are about 800 entomologists.

Producers of insecticides include in their numbers some of our largest industrial enterprises. Many operate throughout the world. Many produce insecticides or related products as a relatively small phase of multiple-commodity activity. And about one-fifth of the agricultural research in industrial laboratories is done by the makers of pesticides, biologics, and related products.

Entomology as a science therefore must be concerned with the economics of entomology and cannot be constrained solely to the processes of insect life. There is a widening area of

research intended to control such life processes, and nearly always to do so within stringent constraints. These biological and economic components are integrally related, and both require reference to many other fields.

An economist can -- and some have done so -- calculate the net contribution of alternative regimes of a given control, or of a battery of given insect control mechanisms, to the incomes of those who use them. Producers and users must both find profit prospects in control if it is in fact to be applied, and if the under-girding applied research is to be done.

Generally, agricultural chemicals, other controls, and pesticides particularly have been important factors in the immense increases in agricultural productivity in recent years. Generally, there is still substantial latitude for significant and profitable expansion of use of such controls.

There is straightforward economic competition among alternative control components or procedures -- both for producers and users. Recent data indicate pest control activities on about 40 million acres of farm land, and on about 80 million head of livestock in the United States. There is relatively little economic analysis for specific uses on specific products, but hard aggregate analyses indicate that pest control pays well. Such analyses also indicate further growth in the future.

Yet, entomologists and scientists in related fields generally seem to press for non-chemical control procedures. They seek to find means to achieve tolerable control levels without chemicals, with lesser amounts, or different regimes of use -- either singly or in combinations. In part, these efforts are engendered by economic criteria affecting producers and users.

In part, also, they reflect economic choices with respect to competing uses of the environment affected, directly or otherwise, by insect control. As example, some methods of suppression of pink bollworms may affect intimately the control of other insects -- and the net economic impact of these antagonisms is one determinant of choice as to what in fact shall be done.

Given land or capital or activity may be used in many ways. There are harsh questions, yet unresolved, of the impact of controls upon these varied uses. Insect control undertaken by any person or group does at times affect the economics of other private or public patterns of resource use.

So entomology, as I see it, is a major factor in the American and the world economy. It is involved in a series of highly sophisticated industries. It is faced incessantly and in all its elements by a variety of difficult economic choices.



### The Aesthetics of Entomology

The activities that are called entomology can thus be analyzed within a complex context of science, or of economic choice, or both. Conceivably at least, these questions in science and economics could be resolved by competent people working within accepted rules of scientific and economic analysis. However, there are other pressing and perhaps more important questions involving values that cannot be so resolved. Yet, by some means, they must be and they are being resolved, albeit with substantial acrimony at times.

Much of the work in entomology and its related disciplines serves, or affects values of aesthetics or ethics of very high priority and general acceptance, over which there can be little controversy. However, even if entomology serves such values, activities generate related effects that are deemed by some people to be inimical to other received values. Human life, human health, decency and dignity, and prosperity of living, have been splendidly served by those who work in entomology. Yet, even where these ends are served, there is often allegation of adverse side-effects. So it is amply evident that work in entomology often involves activities and effects impinging upon values that are hostile one to another. It appears that there is no analytical means -- scientific or economic -- for the unequivocal resolution of these hostilities.

As example, it would be possible, conceptually at least, to weigh the measured net economic effects of improving cotton yield against net adverse economic impact upon bees and the commodities served by bees. Yet, only seldom is the choice among alternatives susceptible of compromise in terms of the single criterion of dollars and cents of net income or its distribution among competing claimants. More often the trade-off involves clearly aesthetic values -- such as songbirds, fish, or a relatively undisturbed natural environment -- against economic values.

Or there may be conflict of hostile aesthetic values with no infusion of economic criteria. One regime may limit damage to vegetation which enhances natural beauty. To do this may have adverse effect upon wildlife that serves aesthetic values of others.

The science element of entomology -- the insect life component, engineering, chemistry, physics, the plant science fields, epidemiology, histology, vector analyses, to name only a few -- is gradually diminishing the difficulty of finding rational compromise of conflict. At least, analysis is being substituted for speculation in measuring impact. Also, to an increasing extent, we are learning that generally accepted aesthetic values may be served with minimal or no adverse impact on others. And most important, we are coming nearer to

measuring impact as one necessary step in choosing among values.

Few other fields -- rooted as a science in the general fabric of science, and named a science -- are so beset by conflicts of goals. Few are so deeply involved in so many aspects of human society.

Because there is hazard from insects and hazard from control, there is public responsibility pressing upon all who work in this field. There is responsibility impinging upon scientists. There is responsibility assigned by law to government agencies. My department, and the States, must attest that control products are efficacious and safe for designated uses. There are research inquiries essential to such certification. Others must develop the research base upon which maximum residual tolerances are founded.

#### The Ethics of Entomology

It seems to me that conflicting economic and aesthetic preconceptions and goals are strongly, sometimes almost violently, expressed by people and groups of people. No disrespect is intended in stating that these views seem sometimes to be expressed as naked dogma. There sometimes seems to be a viewpoint that one and only one set of values is respectable or honest or competent. There are views that any possible adverse effect, measured or anticipated even as a distant and disjunctive



likelihood, upon such values cannot be tolerated regardless of simultaneous service to some other set of values. Here, truly, it seems sometimes that resolution of conflict is impossible. Often in these expressions there is gross departure from validity of scientific or economic analyses, and sometimes there is a disturbing ferocity of expression.

Three broad classes of dogma seem firmly to be held.

One group seems basically to hold that insects must be left completely undisturbed; that the immediate ecology in which they exist must not be subject to what usually is called tampering; that at any cost to any other value there must be no alteration in any element of the general environment, now or ever; and that it is the moral duty of man to preserve forever the status quo of nature, perhaps preferably as it would be were there no men in it, and no works of man, either.

Another broadly specified group seems to hold that man must do battle only with bugs that are destructive to values cherished by that group. Yet, at the same time, he must exert only the minimal pressure necessary to serve those values. There are people in this group who seem to hold that stringent measures are acceptable against alien pests that have moved far beyond their native environment -- whatever that may be. Long-established insects are called native, and some people say they



must be left alone.

At another extreme is a third group who insist upon what they call a practical approach. People, they will say, are more important than bugs. Accordingly, they will tolerate or even advocate substantial collateral effect of pest control if given economic or other values be served thereby.

One cannot question the right or the probity of any human being -- including entomologists -- to hold any of these varied views. But dogmatically to embrace any of them as beyond discussion or compromise is to foreclose rational making of decisions which must be made.

I know of course that science -- in entomology or anything else -- ultimately can engage questions of covariation and nothing else. No question involving aesthetics, ethics, epistemology, metaphysics, or theology may conceivably be engaged directly by scientific methodology. To introduce these attributes is to destroy such methodology. Yet I also know that these are the truly important questions determining the choices people make.

Generally, choices governed by such values are not directly served by research. Yet, without research the value trade-offs cannot be made. Without research, rational decisions cannot be made.

If the conflicting values themselves are identified, the data and analysis to be subsumed under such values in order to measure impact of alternative decisions are susceptible to agreement if the rules of analysis are followed. So, at the least, it is operationally possible and operationally necessary to evaluate some value conflicts upon the basis of fact and valid analyses.

So one more component -- and a most difficult one -- ethics, that which is morally right or wrong -- can be added to the fabric of activities that are called entomology.

#### The Politics of Entomology

It can be agreed that research or science in entomology should be totally free of conflicting with value content. But the operational choices subsumed under economics, aesthetics and ethics of entomology are literally loaded with normative content.

The American community is pluralistic -- it tolerates, even generates dissent. No individual or agency acting alone makes any major decision unconstrained by conflicting goals or actions of others. Power is purposely diffused. Checks purposely impinge upon power to make choices. The processes of exposition of goals, and efforts to achieve them, always involve value conflicts. These conflicts are set forth, debated, and ultimately resolved by compromise that is acceptable or at least tenable to those in conflict. The role of science is

deeply involved -- but its single role in these political activities is to provide fact with respect to effects of alternative activities.

I suspect that political resolutions of most important conflicts are rarely final. Values, analytical findings, constraints, all change over time. The values generally accepted in this nation, the advanced programming, and the technical capacity to achieve them, all have changed drastically in this country over the last three decades. Most important, there now seems to be consensus that we need no longer accept and adjust to whatever the future fortuitously brings. Rather, it is agreed that now we can decide what kind of a future we want to have, and govern our activities in order to achieve that future. And this, I think, is true of entomology in all of the ways in which it affects the life of man and the earth on which he lives.

#### Department Policy

The flux of change in goals and programs is sharply manifested in the evolution of government programs affecting entomology. The flux will not abate in the future. The changes in legislation defining our policy in the past came largely through compromises manifested in normal political processes. This will be true, I believe, in the future.

The original pesticides act, in 1910, was designed to



prevent adulteration and misbranding of the simple organic products then on the market. Further safeguards to the public were needed after DDT and other organic pesticides became available. The Federal Fungicide, Insecticide, and Rodenticide Act of 1947 therefore required manufacturers to demonstrate the effectiveness and safety of their products before they could be registered.

Seven years later, the setting of tolerances for pesticide residues in food and feed products was made mandatory by the Miller Amendment to the Food and Drug Act. Subsequent legislation made additional pest-control devices and products subject to regulation by the Department of Agriculture. And more stringent requirements for warning and caution statements on pesticide labels as well as provision for USDA registration numbers on labels, went into effect about a year ago.

The Department of Agriculture must resolve many difficult questions related to pest control. These may be such determinations as whether to register a pesticide, or to terminate an existing use. Or they may be decisions concerning research priorities or how pest-control programs should be carried out.

First, we deliberately and critically measure the impact of alternative activities.



Then, we make a reasoned judgment, openly and honestly reacting to the facts, and to the analyses when set against mission. Then we take whatever action is required.

We take full advantage of all information on how alternative approaches would affect the output of agricultural commodities, returns to producers, human health and comfort, and the environment -- either now or in the future.

We do not ignore or minimize any evidence of harmful effects. But, by the same token, we do not base policy or action on anything other than data and competent analysis. Speculation, disjunctive possibilities, or hysteria with respect to hazards are not and cannot be a basis for rational decisions.

We support research in entomology both to learn and to identify and optimize alternative means of reaching our goals. We know that foolish or intemperate use of anything involves hazard. We know also that the science basis of entomology activities has made it possible for us to achieve goals with little or no adverse effect on other values.

We are honest. We know the charge given us by the Congress. We know our responsibilities. Without the science basis we could not meet them. With that basis, we are doing so.

Legislative decisions on the support of research and on

programs for control or eradication of insects are likewise a part of the politics of entomology. The fact that these decisions must be made in a political framework should not be cause for concern to scientists. I think that the budget support made available for entomology research by Federal and State scientists last year indicates considerable sensitivity to research needs by legislators and publicly elected officials. Similarly, legislative processes reflect changes in received goals and in ways to achieve them.

We allocate our research in entomology in conjunction with the States, and with full reference to research done by others. We have valid activity analysis to determine what is being done in entomology and in competing fields. We can relate them all to missions. As best we can, we try to estimate pay-off in mission terms for applied work, and we leave more than one-third of our research to the scientists without direct reference to goals.

#### A Look Ahead

Now I shall expose some preconceptions of what lies ahead for entomology, in each of the areas I have discussed.

In science, I expect still greater emphasis on control of insects by methods producing minimum disturbance to the environment. And I anticipate further gains in effectiveness and

efficiency, as well as improved precision in control. I expect to see new instrumentation and new design take this field into new processes and systems of inquiry.

In economics, I foresee two trends. Rising demand for food and fiber will put an even higher premium on insect control. In addition, I think there will be even more concern about the economic side-effects from suppression of insect populations. I refer both to losses from inadvertent destruction of beneficial insects and to new control problems resulting when predators and parasites of destructive insects may be forced to turn their attention to these beneficial forms of life.

In aesthetics, I expect more widespread appreciation of such values as natural beauty by urban people. And, hopefully, there will be more effective ways of measuring these values as well as better means for protecting them.

As to the ethics of entomology, people undoubtedly will continue to hold divergent views on the need for pest control. But I believe they will grow more willing to modify value pre-conceptions in accordance with the growing body of scientific evidence.

In politics, too, I expect scientific evidence to have growing influence on official decisions. More general understanding of the workings of science, though, will probably result

in more searching appraisals of scientific proposals by public officials.

Taken together, these trends portend a bright future in entomology. You are getting the scientific analyses that will support rational solution of problems which are made difficult because they involve powerful economic and normative elements. But one day, people may recall the 1960's as an era when entomology set the stage for some of its greatest contributions to human welfare.

At least, freeing himself as much as possible from the preconceptions of a layman, that is the way entomology looks to a lay administrator.

# #





U. S. DEPT. OF AGRICULTURE  
NATIONAL AGRICULTURAL LIBRARY

JAN 11 1968

CURRENT SERIAL RECORDS

11/4/72

Cap. 2

U.S. Department of Agriculture  
Office of the Secretary

RESEARCH ON PACKAGING AND MARKETING OF MILLED CORN PRODUCTS

I am happy for the opportunity to participate in your meeting.

Your program gives further indication of your desire to use the resources of the corn milling industry in waging the War on Hunger throughout the world. It is, of course, only a further indication of an already demonstrated interest in a practical way to take the initiative in marketing the CSM mix, which is proving to be extremely useful in combating malnutrition in children in the developing countries.

It is no exaggeration to say that world food supply is of more strategic importance today than propaganda or weapons. Without question, an adequate food supply is essential in achieving peace and stability on this planet.

The world food situation, as previous speakers have indicated, is serious -- but it certainly is not hopeless. Economic studies by USDA indicate that the world as a whole will still have the capacity to feed itself in 1980 . . . even though the requirements for grain imports by the less-developed nations may be nearly double what they are now.

---

Address by Assistant Secretary of Agriculture George L. Mehren before the American Corn Millers' Federation, Washington, D. C., October 18, 1967, 11 a.m.

---

The fact that the world will have the capacity to produce more than enough grain to meet effective world demand does not guarantee, of course, that the capacity will be used effectively. And in all likelihood, we will still be faced with surpluses in one part of the world, shortages in another. We do not anticipate absolute shortages in the world at large, but tremendous difficulties will have to be overcome in getting enough grain to where it is needed most and will do the most good.

Research can -- and, in fact, must -- help solve the problems the world will face in matching food supply with need. I believe that research can mean the difference between adequate nutrition and starvation for hundreds of millions of people in the years just ahead. Without some kinds and new kinds of research it is doubtful that the job will be done at all.

Some of this research will and must be done in the developing countries, where we must and will adapt our knowledge to local conditions as we help these nations develop a viable agriculture of their own. The corn improvement project in Kenya illustrates the potential for this type of research effort. It also shows that increase of yields is the crucial but not the only necessary phase of adaptive research.



This project is a cooperative undertaking of the Agency for International Development, USDA, the Kenya and British Governments, and the Rockefeller Foundation. This research has produced a hybrid, based on a local variety and one from Ecuador, that is yielding at least 35 percent more than the native corn. The acreage planted to hybrid corn in Kenya has grown from only 300 acres to 250,000 acres in just five years. The propagation and distribution of seed are quite as impressive achievements as the adaptation itself.

Other research, in this country and abroad, will concentrate on developing high-protein foods from our grains and oilseeds -- foods that are adapted to the tastes and dietary habits of people in the developing countries. CSM is one example, and others are being developed through the joint efforts of USDA, the States, and industry.

I might add that we do not anticipate that these fortified foods will be used widely, or perhaps even at all, in our school lunch program, or for distribution to charitable institutions and needy families in this country. We are, of course, making substantial use of cornmeal and grits in these programs. Last year, for example, we distributed about 120 million pounds of corn products.

Our aim in these domestic commodity programs is to help achieve optimum nutrition through the use of a variety of foods to supply the necessary nutrients . . . rather than to provide these nutrients in a limited number of foods. It is expected that the schools and families will use their own resources to purchase meat, dairy products, fruits, and vegetables to supplement the commodities they receive.

Still other research will be required to keep American agriculture productive and efficient, so that our country can meet its national and international commitments, and so that we may take advantage of expanding demands by importing countries.

And an important part of the research will be in the area you have asked me to discuss today -- research to solve the problems we face in marketing the produce of American farms. Since distribution promises to be the biggest challenge in meeting world food needs, it is readily apparent how important a role marketing research will have. Every nation seems most to want market analyses as a guide to its production and research activities.

The specific problems to be solved in grading, packaging, and protecting agricultural commodities in marketing channels are directly related to research developments that are providing new food products, new quality-improving or yield-increasing characteristics in our crops, and new production practices on our farms. So I would like to discuss some of these changes that are of direct concern to your industry, and also to discuss how research is meeting the consequent marketing problems.

Let me begin with research contributions to the marketing of the CSM mix.

As you probably know, the food supplement now known as CSM mix was one of several blended food products suggested by the Department for possible use in improving the nutrition of children of developing countries. We believe that millions of people in Latin America, Africa, and Asia are undernourished, even though they are getting sufficient calories. Their diets are based on protein-deficient cereal grains, among other reasons, because they are too poor to afford meat and dairy products. The children are the principal victims of protein deficiency. And the damage of malnutrition to children is severe, and if severe enough, it is irremediable.

Your industry made available the partially precooked supplement that is 19 percent protein. As presently constituted, it is 68 percent processed corn, 25 percent soy flour, 5 percent nonfat dry milk, and 2 percent vitamin and mineral supplement.

When it was ready for the market, Department scientists drew upon the knowledge built up by your industry, by our Northern Utilization Research Division, and by our human nutritionists in developing specifications for purchase of CSM by the Department for overseas distribution. The specifications have recently been modified further to assure a high-quality product.

Since July of last year, more than 300 million pounds of CSM have been purchased by the Department, and CSM has received generally good acceptance in Central and South America, parts of Africa, the Near East, and Asia.

Keeping CSM in good condition and free of insect damage until it reaches users in remote villages poses a major marketing problem still not fully solved. Not only must it be packaged to withstand the normal rigors of overseas shipment but it must be protected from insects and deterioration in areas of the world that in large measure lack modern handling and storage facilities. The cotton bags customarily used in shipping cornmeal overseas don't fully meet the needs of such distribution patterns.



Scientists at our Stored-Product Insects Laboratory at Savannah, however, have been working since shortly after World War II to develop a satisfactory insect-resistant bag for shipping cornmeal, flour, and similar commodities. Their research has produced a multi-wall paper bag that thus far appears to meet all requirements. Work is also well along on the design of a paper-lined cotton bag.

The outer layer of the paper bag is treated with one of our safest insecticides, synergized pyrethrins, and migration of the pesticide to the contents appears fully to be prevented by the inner layers. Protection against insects is completed by sealing the stitched closure with treated paper tape. Thus far, food products in the bags remain free of insects for 9 to 12 months under test conditions.

The efficacy of the multiwall bags in preventing insect damage, as well as in preventing hazards to people, were established in several tests, including a large shipment of cornmeal to Brazil. The Food and Drug Administration has granted a tolerance for this use of the pesticide under the conditions described above.

Early experience with the multiwall bags for shipping CSM indicated the need for strengthening the bags to avoid breakage. Addition of a polyethylene inner layer appears to have corrected this deficiency.

The cotton bag with paper liner is being jointly developed by our scientists at Savannah and at our Southern Utilization Research Division. This bag not only has the advantage of greater strength but also expands an outlet for our cotton.

In a 12-month test, these bags gave protection against insects nearly equal to the multiwall package. Our scientists are about ready to conduct an overseas test with a shipment in the lined cotton bags. This shipment is expected to provide the data to support an application to the Food and Drug Administration for a tolerance on this use of synergized pyrethrins.

The cotton bags will be more expensive than the paper ones, but they can be reused for other products that do not require protection against insects. And the bags would have many household uses in the developing countries.

Another problem in maintaining the market quality of corn has been created by a change in harvesting methods. Farmers are rapidly shifting from the cornpicker to the grain combine equipped with a corn head. In Illinois, for example, the part of the crop harvested by combine jumped from 27 percent in 1962 to almost half last fall.

The shift to the combine has already doubled the amount of corn that must be dried. Combine-harvested corn comes from the field with 25 to 30 percent moisture, in contrast with 14 to 16 percent in shelled ear corn.

And whereas ear corn can be stored in cribs for drying later, combined corn is shelled and must be conditioned immediately. Country elevators that once received perhaps 20,000 bushels for drying over a period of several months are now handling as much as a million bushels in a few weeks. In the rush to condition this corn, on the farm or at the elevator, there is more chance that the job will be done improperly, resulting in danger of deterioration in quality from cracking and brittleness.

Farmers have compelling reasons for turning to the combine. It will harvest 1,000 to 1,200 bushels an hour, the crop can be taken from the field sooner with less loss from shattering and late-season weather damage, and the grain is shelled in the field. In addition, cornpickers cannot be used where corn is planted with the new 20-inch row spacing rather than the traditional 40-inch rows.

Department and Purdue University scientists have devised an improved method of drying shelled corn that should enable elevators to handle at least 50 percent more corn with existing equipment -- and with less chance that quality will be impaired. This method, which they call "dryeration," has proved effective in commercial use during the past three years.

In dryeration, the cooling of the corn after drying is done in a separate bin rather than by the usual method of passing unheated air through it in the drier. Not only is the full capacity of the equipment used for drying but the grain is cooled more slowly as it is aerated in the bin, with less chance of cracking and brittleness. The method can be adapted to either continuous-flow or batch-type driers in elevators and on farms.

The Department has also contracted with Kansas State University to test an unusual procedure used in England for holding wet corn. Under this system, high-moisture corn is sealed in bins through which refrigerated air is passed. Whether such a procedure is practical here or will maintain the market quality of our grain is as yet unknown. But should it prove feasible, it would provide a method for temporarily holding combine-harvested corn until it can be dried.

In our research on grain drying and handling, we are also checking out the possibility that presently-used or experimental methods might contribute to the growth of mold in the grain. We are particularly concerned about the presence of a very common mold, Aspergillus flavus, some of whose strains under some conditions may produce aflatoxin. This mold-caused toxin, or mycotoxin, in feeds or food is a potential hazard to man and livestock.



Aflatoxin was first identified in moldy peanut meal in 1960. We now know that aflatoxin may be present in a wide variety of seeds, nuts, and grains . . . as well as in peanuts. Steps have been taken to assure the safety of peanuts and peanut products.

In addition, the Department this year made a survey of aflatoxins in commercial grains, including a total of 3,548 samples of wheat, corn, soybeans, grain sorghums, and oats. USDA's grain inspectors took the samples from regular commercial shipments and graded them. All grades were represented, from Grade 1 through Sample Grade.

Only 52 samples contained aflatoxin and, with few exceptions, all positive samples were in the two lowest grades. No sample contained more than 19 parts per billion of aflatoxin, and 25 samples showed less than 7 parts. I might add that Department scientists and others have found no evidence of toxic effects on livestock given feed containing less than 233 to 300 parts per billion of dietary aflatoxin, depending on the species of livestock.

The aflatoxin problem in grain does not appear to be serious at the moment. Nevertheless, because it must not be allowed to become serious, the Department is doing extensive research on mold-caused toxins in general, and aflatoxins in particular. Our work is in five areas:

- Conditions that can cause mycotoxins to develop.

- Fast and more accurate methods of detecting the presence of the toxins.

-- Method of removing the toxins from contaminated products.

-- Surveys to determine the incidence of mycotoxins.

-- Animal feeding experiments to determine the effect of mycotoxins on various species and the possibility of transmitting aflatoxins to edible animal products.

This research is giving us the means to assure that mycotoxins will not be a threat to the safety of our food or feed supply.

The Department is likewise giving attention to another problem that could grow as more corn is being harvested at high moisture levels. This is the identification in marketing channels of mixed lots of low and high-moisture corn. Moisture meters now in use, which measure the average moisture level in the sample, will not detect such mixtures.

The Battelle Memorial Institute, however, holds a USDA contract to develop an electronic meter that should be capable of determining the moisture in individual kernels. If these efforts are successful, grain buyers should no longer have any difficulty in spotting these mixed lots.

Automatic sampling of grain loaded in boxcars may also be a reality before long. Our scientists have evaluated a number of commercially developed samplers and have found that three, about equivalent in accuracy, are more efficient than doing the job by hand methods. The results of this research are now being considered by the Department's Consumer and Marketing Service, which must give its approval before the automatic samplers are put into use.

In another area, it is not yet clear what changes in milling procedures or marketing practices will be needed when high-lysine corn reaches the market.

Our scientists, however, have research underway on the milling properties of the experimental high-lysine corn now available. We know that the lines carrying the mutant opaque-2 gene not only have increased lysine but also have a floury-type kernel that may be difficult to handle. It is still too soon to know either the exact characteristics that high-lysine corn will have when it reaches the market or the changes in handling that will be required.

State and Federal scientists at several locations, as well as those of commercial seed companies, are working to develop a commercially acceptable corn that carries the opaque-2 gene, discovered by Purdue University researchers 4 years ago. This genetic material imparts increased lysine and tryptophan. These two amino acids are useful and essential in human and animal nutrition. Further, they provide a more desirable balance of amino acids in the protein.



Corn breeding lines are also available that yield grain with 14 to 15 percent protein . . . in contrast with 9 to 10 percent in corn now marketed . . . but the protein in these experimental lines is of poor quality. The ultimate goal is to incorporate high lysine, higher total protein, and desirable production and milling characteristics into the same commercially useful corn. But this will take time. The development period for a new variety of many different crops is often 7 to 10 years. If it be adapted to foreign areas, even more time may be necessary.

Present indications are that farmers initially may sacrifice some yield advantage in growing high-lysine corn, although the reduction will probably be less than 10 percent.

A corn that is high in both lysine and total protein would materially alter livestock feeding practices. Weanling pigs gained  $3\frac{1}{2}$  times as fast in Purdue experiments when opaque-2 corn was substituted for regular corn. Considering that our country may need 70 to 80 percent more meat by the end of the century . . . it is obvious how important a marked increase in feeding efficiency would be. And if the protein level in the grain can be brought up to 15 percent, corn alone conceivably could satisfy the minimum protein requirements of swine.



Research at Purdue also indicates that high-lysine corn could if necessary be the sole protein source for human beings as well, if the diet otherwise be adequate. The implications are immense in meeting the nutritional needs of people in developing countries who lack protein from animal sources in their diets.

And there is every reason to believe that higher protein levels and a nutritionally better balance of the amino acids in the protein can be bred into other grains.

Last month the Department announced that scientists in Israel, whose research is sponsored by USDA under a Public Law 480 grant, have found a wild oat species that could serve as the foundation for a major increase in protein in oats. Of all the cereal grains, oats are already the most satisfactory source of protein.

Also, Department and Nebraska scientists are working to improve the amount and composition of the protein in wheat, and scientists in Indiana are conducting similar research on grain sorghums. The work at both places is being performed under contract for the Agency for International Development.

While we try to develop lines that are high-yielding and nutritionally adequate, we shall continue to experiment with fortification of grains and grain products.

In summary, there is every reason to believe that agricultural science offers hope of providing the means for winning the global War on Hunger. At least it can show us the conditions that must be met if production is to balance need. Perhaps it can show us how to persuade people to do what must be done.

Research is keeping our agriculture strong and efficient, and in general our knowledge is being applied successfully in the developing countries. The new foods and the high-protein grains now under development promise more effective use of our productive resources. And research is meeting the new challenges in maintaining the market quality of our grains and processed foods.

With industry and public agencies working in concert . . . and with the wholehearted backing of our people . . . I believe that victory over hunger is within our grasp. It is not an issue of whether we can win, but rather whether we shall do that which is necessary for victory in this most important of all wars.

U.S. DEPT. OF AGRICULTURE  
NATIONAL AGRICULTURAL LIBRARY

NOV 15 1967

CURRENT SERIAL RECORDS

ANTICIPATING THE YEAR 2000

I am most gratified to be here today. Most of the women scientists of our United States Department of Agriculture are in your disciplines, and many are members of your Association. These researchers and educators rank among the Department's most valuable resources, and I assure you we esteem them highly.

I feel particularly at home with those of you who were trained at the land-grant universities. Our Department has had a long and rewarding relationship with these institutions, and my own experience gives me a tremendous admiration for the caliber of their teaching and research in your fields.

I want to congratulate you on your fiftieth anniversary and on the accomplishments that have made those fifty years memorable. This is a time to turn a spotlight on your beginnings.

Nineteen seventeen! That was the year our country entered World War I . . . and three years before women obtained suffrage. Almost every household had an ice cream freezer and a coffee grinder. There was still a feeling that women who used bakery bread instead of making their own were neglecting their families, and a young girl's ideal of proper feminine proportions was closer to Mary Pickford than to Twiggy.

---

Address by Assistant Secretary of Agriculture George L. Mehren before the American Dietetic Association, Conrad Hilton Hotel, Chicago, Ill., August 15, 1967.

---

Women -- and your Association -- have come a long way since then.

I am told that a majority of your members are hospital dietitians . . . that almost eight percent are in school and college food services . . . and that almost that many more are in commercial and industrial food services. This means that four-fifths of your membership decides almost directly what vast numbers of Americans -- young and old, sick and well -- will eat daily. The rest of you -- nutritionists, college teachers, consultant dietitians, researchers, and so on -- may wield an even more lasting influence on the diets of tomorrow.

This is an enormous responsibility.

Enormous because, as we enter the last third of this century, we face the specter of ever-multiplying mouths to be fed. By the year 2000, the world may contain six billion people, and the United States 300 million.

The theme of this Golden Anniversary Meeting reflects your concern for your responsibilities in "Our World Tomorrow."

And our biggest industry -- agriculture and related businesses, a complex of some 19 million workers -- is equally concerned.



We are meeting today because, among other reasons, we all believe that we can and should make our world what we want it to be.

What goals do we see for the year 2000?

What kind of a nation do we want then?

Where do we want agriculture to be?

And what will be the role of nutrition, particularly the institutionalized type that already plays so large a role in American eating practices?

Are you becoming the Nation's taste-makers?

What opportunities -- and what perils -- will you face by the year 2000?

It is our duty to define our goals clearly, and then to plan, to schedule, to direct our efforts to achieve those objectives. We must learn that which we need to know . . . decide on that which we need to do and then do it . . . rather than simply adjust to whatever the world of the future turns out to be.

If we are to mold rather than merely to accept the course of events, we must plan on a larger scale -- and further ahead -- than we have ever attempted before. As a beginning, USDA and the land-grant universities recently completed a study of the expected demands on American agriculture by 1980, and the publicly supported research needed to meet these demands. Private foundations and industry now conduct more than half the Nation's agricultural research.

Food and Fiber for the Future, a National Advisory Commission report that came out last month, commends the development of this National Program for Agricultural Research, and recommends that it be funded and carried out at projected levels over the next ten years.

Task forces now being formed will provide bases for carrying out the Program's recommendations with a proper balance between State and Federal efforts.

The Department is also integrating its research plans into the whole Federal budgeting process, in a coordinated effort to put scarce resources of brainpower and money where they will do the most good.

And, going beyond the National Program for Agricultural Research, USDA has adopted an "Agriculture/2000" concept that sets the goals we hope to reach during all the remainder of this century.

These objectives are

- . . . to obtain agricultural abundance from our land and fair income for our farmers
- . . . to best use and conserve our resources
- . . . to help growing nations and to provide new markets for our feed, food, and fiber
- . . . to improve the communities of tomorrow
- . . . to provide consumers with knowledge for living
- . . . and to utilize science to the fullest in the service of man.

These goals are in keeping with those of your Association, particularly with your broad aims to improve the nutrition of everyone and to advance education and the sciences in fields pertaining to food. We are all working toward the same ends.

Let us look briefly at the world food situation in 2000.

The next 20 years will be the critical period in solving The World Food Problem, a Panel of the President's Science Advisory Committee recently reported. After 1985, family planning programs are expected to ease the pressure. If the problem is solved within the next two decades, the report concludes, "it will be manageable thereafter."

American farmers will continue to help feed the "have-not" nations while they are learning to help themselves. Such aid will involve mass distribution operations that carry the same opportunities and the same limitations encountered in this country, but on a vastly broader and more complex scale. The need for wise supplementation of incomplete foods with needed nutrients -- particularly for children and mothers -- must be met. It is vital to the intelligence and health of tomorrow's children all over the world.

Calorie-protein malnutrition and vitamin and mineral deficiencies must be considered. Our own nutritionists have seen to it that, in our Food for Peace programs, the dry milk is fortified with vitamins A and D, and that calcium is added to the enriched flour and cornmeal exported.

Our Department has also been working with other organizations and with industry to develop plant foods high in protein for hungry people abroad.

More important than the food we export, I believe, will be the scientific knowledge of agriculture and nutrition that our scientists send or carry abroad. I think all of you on the nutrition team -- dietitians, nutritionists, and food specialists -- will find greater opportunities for service in the developing countries.



If you go, your service may produce many "fringe benefits" to augment the actual professional aid you render. You can gain new respect for your professions, dignify the role of the homemaker, and help to raise the status of women in lands where they are struggling for recognition.

Contemplated food shipments abroad will not sharply affect fundamental domestic food supplies. We foresee nothing that would preclude production of all the food this country will need by the year 2000.

Where, then, will American agriculture be in 2000?

On our farms and ranches, technological and biological advances will enable fewer workers to produce more food -- and more wholesome food -- more efficiently.

Before a seed is bought or planted, the nutritional needs of the Nation should be considered in planning the kinds and amounts of food to be produced. I urge you to make your voices heard -- if not directly, then by the more indirect means of influencing consumer tastes to demand the highly nutritious foods that are needed.

Research has done much to make possible the variety and abundance of our food. Scientists will continue to breed more protein into our grains, more flavor and wholesomeness into our fruits and vegetables, and more leanness and tenderness into our meats. But before we can go much further in improving plants and animals, we must explore many of nature's "whys." We are spending a larger proportion of our time and money to do this . . . for example, to learn the real nature of the resistance of living things to such hazards as heat, cold, stress, and disease.

USDA scientists have already developed a much deeper understanding of plant viruses, nucleic acids, and blood antigens. Federal and State scientists got the first leads on how proteins, the building blocks of life, are formed in living cells. Further research will probably show us how to add desirable new qualities to plants and animals and to eliminate genetic defects and diseases.

By the year 2000, many diseases will have been eliminated from the livestock of the United States, including several, such as brucellosis, trichinosis, and tuberculosis, that we know affect man.

Our farm and commercial food supplies will be guarded against mycotoxins and the omnipresent Salmonella organisms. All foods, regardless of where they originate, will be guaranteed for wholesomeness by a Federal-State network of inspection programs, much as the present system guarantees the purity of meat and poultry in interstate commerce.

Food grades and labeling will be standardized in all parts of the marketing system.

Much fresh produce will be packaged in the field in customized temperatures, atmosphere, and containers that maintain its peak freshness and nutritive quality all the way to the consumer. Some farm commodities will be transformed by new formulas, new processes, and new combinations into more convenient and more saleable foods.

In the creation of such products, much more knowledge is needed of the factors that affect food choices and habits as well as of the needs of people.

By 2000, research-planned facilities for wholesale food distribution will replace antiquated and congested structures in most of our large cities, saving millions of dollars in handling and marketing costs and much precious time for food buyers. A 534-acre center that our marketing research specialists designed for Chicago, for example, would reduce present handling costs by more than 25 percent, thus saving about \$20 million a year. The land for the center here is being acquired now. We have designed similar markets for more than 60 cities; 32 are now being built.

Some of those who visualize the retail food outlets of the future say that the supermarket will become a giant sampling shop. The shopper will pick out what she wants, insert her credit card into a slot, and pick up her purchases at the door. Nobody has forecast such ease for the shopper for institutional food; in fact, there is still no direct distribution outlet for institutions that is comparable to retail channels.

Because of this and other blanks in the institutional picture, our Department economists, in cooperation with the food industry, are researching the entire away-from-home market for food -- a unique and major industry in its own right.

It may have more total outlets and workers than any other single kind of business, these studies indicate. Food served away from home has a retail value of about \$28 billion a year and involves more than 115 million individual consumer transactions a day. It is available in more than 367,000 establishments, of which 93 percent are public eating places. Colleges and hospitals use more workers than any other kind of food service surveyed -- an average of 75 to a college and 36 to a hospital.

We hope that these and future studies will help us to chip away at inefficiencies, eliminate waste, and coordinate the intricate processes involved in moving foods through the marketing system from the farm to the institutionalized consumer.



In other research, our marketing specialists are cooperating with the National Restaurant Association to look into the labor and operating requirements of cafeterias and restaurants. We believe we can plan improvements in work methods, equipment, and layouts that will reduce operating costs by at least 25 percent at these public eating places.

The Department itself is vitally concerned with mass feeding services because it is the greatest distributor of food the world has ever known.

We have a special commitment to see to it that, in this country, food is within the economic reach of vulnerable groups.

For low-income families, we have two programs: the Food Stamp Program and the Commodity Distribution Program. Together, they reach about five million needy people. One of our biggest problems here is to help families use the additional food wisely in improving nutrition.

The School Lunch Program, in which some 19 million children participate, comes of age this year. The combination of the National School Lunch Act and the Child Nutrition Act of 1966 provides a solid legislative framework on which to build nutrition for children in school. This past school year, a pilot school breakfast program was under way in every State. It is meeting a deep and vital need. It is proving that it can reduce problems of discipline and of listlessness in the morning and cut the incidence of tardiness and absenteeism.

Now we can also assist in providing lunches to pre-school children enrolled in school-sponsored programs.

Within the next year, we hope to have family food programs available in every county. In the next few years, our goal is to make school lunches available to all the Nation's children, including the needy.

These programs have proved their worth to the health and well-being of the Nation. Their administration has also taught us a great deal about people and food -- for example, the contrast in the difficulties of introducing new foods to adults and to children. The adults' habits were of course much harder to change; they were inclined to feed rolled wheat and bulgur to the chickens.

It took time to get the children to accept new foods, but they did, and often created a demand for them at home and at the grocery store. Southern sweetpotatoes have been accepted in the Northwest, rice in Maine, canned purple plums in the Southeast, and sour red cherries in New Orleans.

When first served canned apricot halves, some children complained because peels had been left on the peaches. They thought canned Kadota figs were onions. When grapefruit juice was first introduced, we had to mask the flavor with strawberry juice, gradually reducing it until now they take grapefruit juice straight.

One school lunch manager thanked us for all the good food we had sent, with just one exception. Those ripe olives from California were spoiled: in every can they opened, the olives were just as black as they could be.

As more parents work, as schools are consolidated over larger areas, school feeding, from the nursery school on, is bound to increase. At the other end of the life span, with people living longer, institutional feeding at homes for the elderly, retirement developments, and convalescent homes will increase.

Expenditures for food away-from-home increase rapidly with income. The latest Food Consumption Survey shows that families having an income of \$10,000 or more spent eight times as much for food away from home as the families with incomes under \$3,000. Rural families were "eating out" more than they had ten years before.

In the vastly increased institutional feeding of the future, vending machines, meals on wheels, and other techniques that lengthen the distance between kitchen and diner will multiply the problems of preparing food in quantity and maintaining its quality during holding and serving. Research such as that which Cornell University is doing on vending machines will be needed, and State and Federal studies will emphasize such areas.

We hope research will answer many other questions, as it has ever since Congress authorized the first Federally supported research in human nutrition in 1894.

By the way, we are initiating a series of memorial lectureships honoring some of the Department's distinguished scientists of the past, and among them is the father of research on human nutrition in this country. The first W. O. Atwater Memorial Lecture is to be given next year.

Our pioneers in nutrition and home economics told us much about the consumer of yesterday and today. We hope to be able to project more about the future consumer.

Periodic food consumption surveys and dietary appraisals will continue to indicate food trends. Data from our 1965 Food Consumption Survey have not been completely analyzed. So far, they indicate few changes from past trends. Many findings were predictable: as incomes rise, we are buying more choice and prime beef, more convenience goods, more soft drinks, fruit drinks, and snack foods.

Between 1955 and 1965, national per capita supplies of meat increased and dairy products, fruits, vegetables, flour, and cereal products decreased. Potato supplies leveled off after a long decline. Nutritionally, this means slight increases in protein and iron and slight decreases in calories, calcium, vitamin A value, thiamine, riboflavin, and ascorbic acid.



Does this mean that our affluent society has become complacent about the quality of our diets? Or have people been trying to keep down weight by decreasing calories, and have found it difficult to do without also decreasing important nutrients? Have we learned how best to motivate people to select foods which meet their needs for minerals and vitamins even on a limited calorie intake?

In 1990, the median population age will be between 25 and 30. By the year 2000, Americans will probably be working only 30 to 35 hours a week, but the median family income will pass the \$11,000 a year mark -- in 1967 dollars. That's more than \$4,000 above today's median. These young and affluent families will, we hope, have upgraded their diets nutritionally, but the amount they eat will have stabilized.

That's when service and aesthetic elements become important, and I believe that they should rate increasing consideration in all our work on food.

We hope that, by the year 2000, enough of the composition of our plant and animal foodstuffs will be known that menus can be computerized to meet the desires and the known nutritional needs of people in all segments of the population -- including the very young, the old, and the sick -- and that 90 percent of the population, instead of 50, will have fully adequate diets.

By then, our food composition handbook will be thicker. Federal and State research will have determined individual needs for seven additional vitamins and five additional minerals. The quantities of these constituents and of 18 amino acids in some 4,000 food items will be known.

The safe upper limits for each of the essential nutrients in our food supply will also be established. We hope to know more of the effects of stress on nutritional requirements. We will be able to recommend the food selections that can assure nutritional well-being and eliminate those causes of obesity, heart disease, anemia, and dental caries that are associated with diet. We must further elucidate the etiology and effects of malnutrition and the relationships of nutrition to health and mental development.

When all these things are known -- and this is admittedly a large order -- we still may not know with any degree of precision why people choose the foods they do, nor how we can change poor food habits to good. Here there is crying need for research -- for asking sensible and vital questions about a wide range of age, ethnic, and income groups. What mechanisms will be needed to make the desired changes?

As research furnished information, the nutrition team does an outstanding job of passing it on to consumers. The constant flow of information on food over radio and television, in newspapers, magazines, and bulletins, is enormous. In our Department, bulletins on food and nutrition make up half the "top ten" publications in greatest demand. Our Agricultural Research Service has just initiated a strong effort to provide sound scientific information, through the Nation's teachers, to students at an early age.

Yet we know that sound information through the mass media is not reaching enough of the people who need it most. Here personalized approaches, such as those used by the Cooperative Extension Services and the Farmers Home Administration, can do wonders. Nonprofessional aides are trained to reach low-income families, particularly those with young children, with the information they need -- and at a level they can comprehend. Extension has other special programs to reach the elderly, and women working away from home. Eventually, we hope the consumers who must now be sought out and helped individually will be encouraged to join small groups -- a more economical solution for us and a more sociable experience for them.

We are also helping counties to set up extension offices as consumer education centers to make all material readily available in one spot.

Our 4-H program is one of the few youth programs that does attempt to improve food habits in both rural and urban areas. Our program for improving nutrition among older 4-H Club members and other teenagers has received emphasis for several years.

We can never let up in our barrage of education and information. Good nutrition must be taught anew to every generation in its own idiom. Sanity must prevail on a continuing basis in such teaching, or food faddists and evangelists untrained in nutrition will dominate public opinion.

The challenges to dietitians and nutritionists multiply almost daily. You must determine the nutrient value of the immense number of processed foods and convenience foods that crowd the markets -- and that was a job that greatly complicated our latest food consumption survey. Choices must be made from a growing variety of foods. You must tame the computer to take over many of your increasingly detailed chores.

Since 1917, you have multiplied your charter membership of three dozen women more than 500 times. If you could repeat this performance in your second half-century, the year 2017 should see your present membership of 19,000 swell to almost 10 million!



The sad likelihood, however, is that in fact there will be far, far too few of you. In the future, some say, everybody will have more leisure except professional people -- the dietitians, the nutritionists, the food specialists, the doctors, the lawyers, the teachers. They will have to work harder than ever. There will never be enough.

I know your concern for educating and recruiting trained personnel, for enlisting the additional scientists -- the anthropologists, psychologists, sociologists, and so on -- that must help to solve nutrition's complex problems. And I know how you must make maximum use of scarce professionals by the use of aides and other adroit personnel management.

I salute you for meeting these problems head-on.

I conclude with a plea.

It has been said that one can travel the United States from the Atlantic to the Pacific, eating the most abundant, varied, and wholesome food in the world -- and the dullest.

Must it be so?

As institutional feeding grows, you will be the taste-makers of the future.

Must mass feeding, to be efficient, be humdrum and predictable, flavorless and unexciting?

I believe that, through your teaching and practice, you will all but abolish malnutrition in this land -- that American children will be among the best-nourished in the world.

But food is more than nourishment. It is one of the great pleasures of life, and for centuries it has been a major art form in many lands.

Do not destroy our heritage -- the varied wealth of foods and of regional and ethnic cookery that this country has to offer. Help us all, instead, to form more catholic tastes for all these riches.

You will be the taste-makers.

- - -

U. S. DEPT. OF AGRICULTURE  
NATIONAL AGRICULTURAL LIBRARY

AUG 28 1967

CURRENT SERIAL RECORDS

4280.57  
M 472  
Cap. 2

U.S. Department of Agriculture  
Office of the Secretary

RESEARCH PLANNING ON A NATIONAL BASIS

I am deeply gratified to have the opportunity to meet with you during this conference as you relate Texas agriculture to national and international affairs.

It is good to continue reminding ourselves that we must plan together and work together as men of good will -- on a national basis and on a world basis -- to achieve the most worthy objectives that we all share.

We recognize our part of the responsibility to help as possible to feed hungry peoples who are friendly, want help and will help themselves -- wherever they are, at home or abroad . . . to strengthen agriculture wherever it is weak so that nations can build a stronger economy upon that foundation . . . and thus help to create a world where people can live without hunger and fear, and in peace, decency and dignity.

If these and other accepted objectives are to be reached in this generation . . . or the next . . . or at some time in the years further ahead . . . we must take one step at a time, beginning now. And we must keep our steps moving in the right direction.

---

Address by Dr. George L. Mehren, Assistant Secretary, USDA, before the Annual Experiment Station Conference Banquet, College Station, Texas, August 9, 1967.

---

If we are to continue meeting our part of these responsibilities and the higher responsibility to our own people, we must continue maintaining our own national strength founded on our own sound agriculture.

That leads me to another "if," and it also opens the subject I would like to discuss with you tonight:

If we are to continue maintaining a sound agriculture in this country, then we must make sure that our agricultural research programs are directed toward our most essential missions. That objective takes careful and thoughtful planning. And mission research must always be buttressed by and founded upon an appropriate proportion of untrammelled basic research.

There has been planning for agricultural research on a national basis for more than a hundred years by the Federal-State partnership between the U.S. Department of Agriculture and the Land-Grant Universities.



The enactment of the Hatch Legislation of 1887 provided formalized and continuing Federal support for scientific inquiry as an integral part of the educational process. From this there evolved a sort of model organizational pattern for Federal-State relationships and cooperation in research planning. The pattern, including the Federal legislation, grew out of discussions of agricultural societies of the time, plus debates and discussion within and among the early Land-Grant institutions. Now other Federal-State relationships are beginning to follow this model.

The USDA-SAES partnership has survived and prospered over all these years. It is a far closer linkage than most people know. Generally, it works well. Admittedly its components may appear to pull in opposite directions at times. Yet, it is still a team effort seeking through debate and deliberation, to find consensus in formulating and achieving our mutual goals. Until recently, real planning and programming of a coordinated set of State and Federal activities could only be a sort of an accidental outcome of the atomistic and separate decisions of many people and agencies.

For many years, this joint Federal-State effort comprised, for all practical purposes, the total agricultural research program of the Nation. But especially since World War II, industries concerned with agriculture have been putting increasing emphasis on research. Today 53.9 percent of investment in agricultural research and development in the United States is conducted by industry -- including private foundations.

So, when we consider our Federal-State cooperative programs, we are discussing less than half of the agricultural research in the Nation.

The machinery for coordinating our plans with industrial research is not so well-developed as that between USDA and the States, but we are seeking as much coordination as possible -- both with industries and with universities and Federal agencies not included in our system.

There is a good two-way flow of information between the public scientist and his counterparts in industry. Basic information and experimental processes and designs from government laboratories are starting points for commercial developments. And government scientists find new applications for ideas and products from industry.

We work closely with representatives of industry through advisory committees in planning and administering research. We hold conferences and seminars in which industrial scientists participate. Through such conferences industry keeps up-to-date on the latest findings in our Federal and State research and reports recent industrial research developments.

In short, we are discussing a complex of national research programs conducted by the USDA, State Experiment Stations, and industry, supported by total funds in Fiscal Year 1965 of \$854 million.

How do we make sure that this total effort is turned in the right direction to achieve the most essential needs of the future and also to maintain the base for future science and education?

I believe that perhaps the most important move toward a solution to this problem in recent years was initiated through the Long-Range Study.

As you know, the U.S. Department of Agriculture and the Land-Grant College System -- working jointly -- made a study of current and future requirements of research. I believe this is the most comprehensive and definitive study ever made of both public and private agricultural research -- or perhaps of any other -- in the United States. It included a detailed inventory of the more than 16,000 individual research projects conducted by USDA and the States, as well as a survey of the agricultural research performed by other universities and Federal agencies and by private industry.

The basic purpose of the study was to ask and answer two questions: What agricultural knowledge will the Nation need during the next 10 years? And where should research emphasis be placed in order to provide that knowledge?

In the process of answering these questions a report entitled "A National Program of Research for Agriculture" was developed.



This report, in projecting future needs, recommends an over-all increase above 1965 levels of 38 percent by 1972 and 76 percent by 1977, measured in terms of scientific manpower engaged in the Nation's publicly supported agricultural research.

The program is projected in terms of 91 research problem areas into which all of the work was classified. Then a series of task forces was set up to develop specific systems of research operations for 32 different sets of questions. Ten goals were used in the report and priority needs were fitted against them.

These are the goals:

1. Insure a stable and productive agriculture for the future through wise management of natural resources.
2. Protect forests, crops and livestock from insects, diseases, and other hazards.
3. Produce an adequate supply of farm and forest products at decreasing real production costs.
4. Expand the demand for farm and forest products by developing new and improved products and enhancing product quality.
5. Improve efficiency in the marketing system.
6. Expand export markets and assist developing nations.



7. Protect consumer health and improve nutrition and well-being of the American people.

8. Assist the more than 50 million rural Americans to improve their level of living.

9. Promote community improvement including development of beauty, recreation, environment, economic opportunity, and public services.

10. Enhance the national capacity to develop and disseminate new knowledge and new or improved methodology for solving current problems that will arise.

Recommendations for research allocations were made in line with the goals.

The study group appraised the total effort required in agricultural research. They based this appraisal on the projected needs for U.S. farm production in 1980 as related to expected increases in productivity. These considerations provided information on the question, "Do we need additional agricultural research?"

Our 1980 production for domestic needs is projected at 36 billion dollars. Exports to developed countries may range from 8 billion to 9.2 billion dollars. Import needs of developing countries, under one set of assumptions, might be as low as 2.5 billion dollars in 1980 -- under a set of more conservative assumptions, some 6.6 billion dollars worth of products would be needed to fill the gap.

The lower level of total exports (10.5 billion dollars), along with the projected domestic requirements for 1980, implies a productivity increase of 1.8 percent annually. The upper level of total exports (15.8 billion dollars), on the other hand, would imply an annual productivity increase averaging 2.5 percent annually. Should the U.S. undertake to try to narrow the world food-gap, perhaps with the help of other nations, some mid-point between these two extremes would appear more likely than either of them. This would suggest total exports of 13.1 billion dollars and combined export and domestic needs of 49.1 billion dollars. In this event, the needed productivity increases would average around 2.1 or 2.2 percent annually.

From such facts and estimates, it was determined that some increase in our agricultural research effort will be necessary just to maintain the present rate of increase in productivity. If we speed up that rate, we will require a sharp expansion in the agricultural research program.

In arriving at specific recommendations, the study group first agreed upon criteria for evaluating each problem area. They also made estimates of the manpower requirements to solve the problems or to make significant progress in solving them.

The greatest increases were recommended for research in expanding export markets and assisting developing countries; raising the level of living of rural people; and improving community services and environment. This is readily understandable because of the relatively small part of our total effort that is being spent in these areas today. Even a minor increase in man years would mean a high percentage.

To indicate what some of these final recommendations look like compared to agricultural research today, let me give you a few examples. The increases are measured in terms of scientist-man-years.

- . . Resource conservation and use, an increase of 31 percent by 1972 and 75 percent by 1977.

- . . Protection of forests, crops, and livestock, an increase of 37 percent by 1972 and 77 percent by 1977.

- . . Efficient production of farm and forest products, an increase of 22 percent by 1972 and 53 percent by 1977.



. . Product development and quality, an increase of 18 percent by 1972 and 43 percent by 1977.

Such recommendations were made for nine of the goals I listed. The tenth goal concerns basic research and is involved in all the others. Something over one-third of our work is classified as basic -- that is, not directly or purposefully aimed at supporting a Federal or State mission.

Then, there is a further breakdown under these ten goals to give greater detail of classification. Thus, as examples, the report cites 16 program elements dealing with the overall goal, "efficient production of an adequate supply of farm and forest products," and subsumed thereunder in the classification system.

For instance, an increase of 186 percent by 1977 is recommended for research on the mechanization of fruit and vegetable crop production.

On the other hand, no increase is recommended for research in the mechanization of production of field crops, because it appears that the attention being given to this area will continue to be adequate.

An increase of 119 percent by 1977 is recommended for research on the reproductive performance of livestock and poultry.



Similar recommendations were made for each of the 91 problem areas and these were then consolidated into elements and goals.

All activities were cross-classified by field of science and by commodity or resource also. So we can now retrieve inventory information in great detail.

But in considering the Long-Range Study as a guide to national research planning, it is important to remember that this marks a beginning rather than an end for the planning and coordination of all agricultural research. We will have to put forth more effort, more study, and more cooperation in implementing studies in depth. We will have to continue working together as we are doing now.

For example, we still have for every mission a very important and difficult question to face: Who is to do what? Decisions will have to be made concerning what will be done by the States, by the Federal Government, and by the industries concerned. We will have to dig up more facts . . . such as where the dollars and facilities are . . . in what direction they are pointed at present . . . and where they may be turned in the future. We shall develop operational criteria -- specify systems and reach coordinated planning for facilities and programs.

The Agricultural Research Planning Committee, made up of both State and USDA research administrators, is working with us now to develop some of these criteria by which we can define Federal and State obligations and responsibilities.

Working together we have set up 32 task forces, with appropriate consultants, to develop specific research packages that will implement the problem area recommendations. Each package will be complete unto itself but will usually be limited to a commodity or a particular problem.

These are some of the 32 research packages: Fruit . . .  
vegetables . . . cotton . . . beef . . . food and nutrition . . .  
rural development and family living.

The analysis, inventory and projections for agricultural research are also being integrated with the programming-planning-budgeting activities, usually referred to as PPB. This undertaking -- throughout the Federal Government -- is a systems analysis approach to budgeting that hopefully will improve the information and procedures for making allocations of resources among and within departments and agencies. It calls for a program based on the consideration and evaluation of alternative undertaking.

Throughout the total activities of USDA we are all giving much thought to how we may help in shaping our own future. We express this approach in terms of a common theme -- Agriculture/2000. The theme expresses our determination to plan and work now for a better American agriculture in the year 2000 and throughout the 21st Century.

We have six groups working -- income and abundance; dimensions for living; communities of tomorrow; growing nations and new markets; wise use of resources; and science in the service of man. For each of these we are setting quantitative goals for three time spans -- one year, five years, and the end of the century. For each goal and time span we are programming inputs and reporting on attainments. And we are providing the information that the public needs, wants, and has a right to receive. There is no thought -- and, I think, no danger -- that the creativity of scientists will be adversely affected by programming our work together in order to achieve a balanced whole.

We in USDA know that our problems of tomorrow will be even more demanding of us in providing interdisciplinary teams in these well-planned systems of study.



We know we will have to find ways to maintain a proper balance in all our collaborations with other research agencies. We must maintain a proper relationship between the dictates of our missions and the responsibility for conducting basic research. And at all times, we face the need for flexibility, in planning and execution, to meet the issues that arise.

As we work toward the one goal to improve income for farm families, and toward another to protect and serve consumers, we must constantly evaluate the mutual consistency of our efforts to see that the primary needs are balanced. In the same manner, we must be alert to the balance between the all-important missions to provide adequate supplies of farm and forest products and, at the same time, to work toward the conservation and development of natural resources.

One of the most difficult phases of planning is precise measure of research outputs or values. And another is the difficult issue of trading one value against another.

We all know that we have an obligation to keep lifting our standards of excellence. Agricultural research -- applied or basic -- no longer stands alone. We are a part of the total scientific fabric. This we must understand as fundamental.



I have touched on only a few of the aspects of the complex business of planning a national research program. But as I have indicated, we now have the tested and operational mechanisms to do a good job. And there is no reason at all that we cannot jointly improve these mechanisms in the future.

We face the most fascinating opportunities ever known in a scientific community . . . opportunities created by the rapid development of knowledge during the past twenty years.

On July 16, 1945, at 5:30 a.m. on the New Mexico desert, the first atomic bomb exploded.

That explosion set off what might be called the energy revolution of the 1940's. Nuclear energy became the focal point of planning in as diverse areas as the power for submarines and the use of radioactive isotopes for research. In this revolution we have seen the 100,000-fold increase in the energy of particle-accelerators in physics.

By any consideration, our evaluation of sources of energy has been irrevocably changed and our horizons widened.

Then, during the '50's, we came under the full impact of the computer revolution.

With the use of computers, scientists began planning and executing research projects that would have been far too time-consuming to consider previously. Thus, entire new fields of knowledge have been opened up by these electronic brains that can sort and analyze data in a minute fraction of the time required by man.

Now, in the '60's, we are in a period of instrumentation.

The instruments of science -- and the techniques -- are becoming so refined and sophisticated that we can develop more precise knowledge than ever before. With this instrumentation, we can carry out completely new processes that were not within our reach until now.

And now -- where do we go from here?

We are growing steadily closer to discovering the secrets of life itself. We have opened the door to the understanding of RNA and how it controls cell growth and determination of cellular characteristics. I say we have opened the door, but we have not gone much beyond that threshold.

We are digging deeper into other components of cell structure and the phenomenal role of mitochondria.

We are trying to discover what part antigens and other blood factors play in genetics.

We are looking into the effects of nutritional elements and combinations of these elements that affect the health and well-being of all living things.

We are coming closer to understanding the mysterious viruses that attack man as well as plants and animals.

We will be in a position to exert better control over the evolution of animals that will give us more exactly the livestock products we need and want . . . and possess such built-in characteristics as precise composition and palatability.

We will understand the process of disease resistance in plants so that we can develop resistant crop varieties much more rapidly at less cost.

We will be able to know how to eat a proper diet at each age level to enjoy a longer and more vigorous life -- with effective appetite and weight controls.

We will be able to control such scourges as heart disease and cancer.

When will we have the knowledge to do these things?

We've discussed the decade of energy revolution . . . the decade of the computer revolution . . . and the decade of instrumentation. What decade in the future will be characterized by our understanding of the secrets of life?

I cannot even begin to predict. But this I do believe. That decade is ahead of us . . . somewhere out there in the future.

# #





U. S. DEPT. OF AGRICULTURE  
NATIONAL AGRICULTURAL LIBRARY

AUG 29 1967

CURRENT SERIAL RECORDS

4280.39

M 472

Cap. 2

AGRICULTURE -- A CREATIVE INDUSTRY

Your choice of the "Creativity" theme for this annual meeting is commendable. And it is appropriate that with such a theme we can help to celebrate the 100th anniversary of the birth of a great and creative State.

Nebraska has built a proud history in its century of life -- politically, economically, and perhaps most important of all, agriculturally. The achievements of Nebraska quite clearly exemplify the role that creativity of men can play in building a nation.

What is creativity? It is no easy concept to define. The dictionary tells us that it is the quality of being creative or having the ability to create -- and that is something of a tautology. And so to give it meaning we need to define the words "create" and "creative."

But there are many other definitions. One is "bringing into being something new." And others define creativity as "involving new and beneficial ideas put into action," and

---

Address by Assistant Secretary of Agriculture George L. Mehren at annual meeting of American Association of Agricultural College Editors, Lincoln, Nebraska, July 10, 1967.

---

"bringing about notable changes in things, thoughts, social structures, through action." These are familiar phrases to those of us who are involved in extension and communications. Yet none of them really touches the spark of human ingenuity and the drive and discipline that make new ideas, concepts, or art forms really operational.

### Nothing Created Anew

Perhaps in a very real sense nothing is created anew. Perhaps there is as much continuity in the institutions and the performance of man as there is in the life form itself. Perhaps there is meaning in the words "as it was in the beginning, is now, and ever shall be -- world without end." Certainly no idea has been born in vacuum and no new goals or ways of getting them have have been born in total detachment from what is or has been.

Yet it is true that mankind itself has changed in most of its attributes despite its clear relationship to all other life forms and its own clear conditioning by all of the characteristics of this universe. While there may ultimately be no operational meaning in the notions of beginning or end, there is meaning in the fact of change -- and not all or

(more)



perhaps even very much of human change could have been mere accident.

Surely the change in man and his institutions in recent millenia and especially in recent years seems somehow in large measure to reflect system, not sheer accident or sheer natural selection. Human beings have memories and forethought; they laugh and cry; they have values that at root seem general to all of them. From the beginning they seem to have brought art to their being; they make art and they respond to beauty. All of these attributes involve building new constructs.

#### Old and New

Yet I suspect that in these elements of life there is synthesis and rearrangement of the old and new combinations -- and into these combinations new elements are sometimes introduced. People or groups of people make the new combinations and introduce the new elements -- and these are the creative people.

In the University life there is understanding of what creativity is even if it can't be put neatly into numbers. It can't be analyzed -- at least as of now -- within the rules of science as these rules now stand, and it can't be prescribed or manufactured to order. Yet what is wanted is fully

(more)

USDA 2138-67

understood -- men, who from sources neither we nor they know fully, set new values or ask new questions or bring forth new art. This is not all of creativity. There must be technical competence and the capacity to see the attainment and use of such competence as integral elements of the processes of creativity. There must be the restless need within the man to bring forth his idea. And there must be a compelling drive to work within a harsh discipline that is self-imposed until the end is gotten.

All this means not much more than the surface attributes of creativity can be identified.

#### Effects of Creativity

If we look at this industry with which we work, I think that we can see the marks and the effects of creativity as clearly as in any sector of American life. More than nine-tenths of our people work and live in sectors other than the production of food and fiber and timber. The shape of our life has been affected far more by chemicals, genetics, engineering, and management systems in agriculture than by the energy revolution engendered by the creativity of the physical sciences.

(more)

The pace of creativity in agriculture seems still to be accelerating in all its phases -- from the basic and applied scientist through the producing and distribution segments. And a new kind of creativity has appeared in agriculture as in other parts of our culture.

Now there is appearing a belief that mankind can forge and achieve its own goals -- that man need no longer merely react to his own environment. In large measure he can shape his environment to serve his values. Perhaps this is among the major changes of recent decades -- or even millenia. And this new drive pervades the people in agriculture.

#### Creative Industry

And so, I think it accurate to say that you editors, representing all of the United States, are associated with one of the world's most creative industries. Every year, in this country, the people in agriculture perform a new miracle of creativity. They produce a new crop of plant and animal life -- often new in many aspects and nearly always with fewer inputs. They provide the food, fiber, and other products to sustain and enrich the lives of nearly 200 million people in this country and many other millions abroad -- always in

(more)

greater scope, variety, and quality and at lower real cost.

This record of agricultural production is a joint product of the many people who worked in many disciplines and many industries. The major share of the credit goes to our three million farmers. In 1966 they produced about 80 crops worth \$22 billion. Sales of livestock and products totaled nearly \$25 billion. At retail that part of this output used for food was \$83 billion. On the average over 4 tons of food and fiber and forest products were produced for each American. The output of one out of every 4 acres was shipped abroad. In this year 1967 it is estimated that they will increase production overall by about 6 per-cent above 1966.

Throughout our 300-year history, agriculture has been in the forefront of the process of creativity. In the beginning it provided much of the manpower, the spirit, and the capital upon which this nation was founded.

The pioneers of agriculture -- and nearly everybody then was a farmer -- moved over the mountains, the rivers, and the plains to create new homes and new opportunities for generations to come. They literally hewed their paths across this land and paved the way for a kind of progress that mankind has never known before.



Coupled with -- and in some measure made possible by -- the pioneering in agriculture was the Industrial Revolution -- another and often painful manifestation of creativity -- which created new tools to help man speed up his progress. The fully-commercial sector of our agricultural economy first came into its own with the steel plow, the reaper, the iron horse, and thousands more inventions and ideas to spur man on, many developed on the farm and others drawn from other industries or from science.

The equipment industry contributed much to progress in farming and continues to provide means by which we can more efficiently utilize our resources. If you had the privilege of observing the huge harvesters which recently gathered in the wheat from these plains, you know well what I mean.

#### Another Branch

Another branch of the agriculture industry has also generated a kind of miracle of creativity. One element is the seed industry. It is associated with the entire business of planting, protecting, cultivating, harvesting, and processing the billions of carefully developed seeds that are needed each year to produce our crops.

(more)

Likewise, the fertilizer industry has made a great contribution to agricultural progress and to the general welfare of the nation. It has made available improved formulas, new products, and new techniques that have helped to bring about increases in crop yields that a few years ago would have seemed impossible.

Another ally of the farmer in this march of creativity is the producer of pesticides and other agricultural chemicals. His products have given our agriculturists the weapons with which they can wage the battle against bugs, and weeds, and disease and do so without violence to our environment.

#### Similar Changes

In the livestock industries there have been similar changes that in effect have brought new products and processes.

Scientists have developed better breeds of livestock and new strains of crops to add to man's growing wealth of knowledge and techniques for efficient production of high-quality commodities.

The many groups of professional men and women who contribute so much to agricultural progress also deserve a large share of this credit. They include the engineers, agronomists, foresters, home economists -- the conservationists,

livestock specialists, economists, and many, many more. And not the least of these certainly is the group of professional communicators, which you who are here today so ably represent.

There have also been major contributions from those who have developed the processes of marketing and its products. Some two-thirds of the consumer-level bill for farm products goes for marketing activities. Agriculture would not be what it is today without the many plants and machines that wash, peel, sort, slice, and shell. And also the ones that bottle, and can, and freeze, and dry. And those that finance and package and transport, and store. And the great system of wholesale and retail marketing has changed perhaps as much as any other segment. All are the products of creative minds and progressive industries that have drawn upon the funds of human creativity in many places, times, and disciplines.

#### Creative Services

The government -- local, State and Federal -- also has been creative in its services to agriculture. We look back more than a hundred years to point to the passage of three acts that helped to revolutionize American agriculture and thus to help change the face of the nation. You know the terms and impact of all three -- The Homestead Act, under

(more)

which much of this part of our country was settled; the Morrill Act establishing the great Land-Grant College System; and the Act setting up the United States Department of Agriculture. Coincidentally, it is interesting to note that this city of Lincoln, Nebraska, was named for the President who signed these three legislative landmarks.

Some two decades later, the Congress passed the Act authorizing agricultural research stations in the States. They have helped to create a wealth of technical knowledge to guide the nation's farmers, processors, handlers and consumers. Today, a network of State, regional, and national research stations and laboratories is constantly providing answers to the many scientific problems of agriculture. I think that this combination of research, education and teaching in our Land-Grant universities and colleges in some ways marks most clearly the differences between this and other countries.

#### Early Research

The early development of research information showed up another need -- a system for helping farmers apply this information to their own circumstances. To help meet this

(more)



need, the Congress in 1914 passed the Smith-Lever Act establishing the Cooperative Extension Service, which reaches into all of the counties, rural communities, and many cities to help people solve their problems of growing, marketing, and utilizing the products of America's farms.

These two great systems -- research and extension -- can be properly credited with much of the success that agriculture has achieved. They, too, are products of creativity -- visions by men who analyzed the problems and needs of farm people. They have had a hand in applying almost every major government program for agriculture. And you have had a large hand as public spokesman, friend, and critic for these two important services.

#### Other Steps

To complete this brief historical account of creativity in American agriculture, we cannot overlook other steps that the national government has taken to help supply food and other products for a more abundant life. The programs initiated during the depression years of the '30's -- and adjusted many times since -- have helped to bring stability to farm production and prices. These are the programs of

(more)

adjustment, conservation, credit, electrification, insurance, marketing, and regulatory action, which have become part of our everyday life. They have served many national goals and today we have flexibility such that our goals may be served well in the future.

They helped to develop the economic strength of our agriculture for one of its greatest challenges -- providing the food and fiber essential to the winning of World War II. The creative strength of the American farmer has never failed us in any time of national or world stress. He has helped to bring us the strength to carry us through two major world wars and many other conflicts. And his produce has been used to assist in the building and rebuilding of many less fortunate nations. Now we seek in part to use our abundance and our farm technology to help other peoples to build and sustain their own productive capacities.

Nearly a third of our produce goes abroad and most of it in hard trade for hard dollars. Agriculture today is the major generator of net exchange for the strength of the American dollar.

(more)

Help Other Nations

Still more important is the fact that we are helping other nations, when asked, to develop their own productive resources by lending hundreds of our experts in various fields of agriculture. For example, a number of our top young county agents have volunteered and been employed for 2 years of service in helping to rebuild the agriculture of South Vietnam, not as instruments of war but in the service of peace.

Thus, our creative capacity has been used to benefit many millions of people throughout the world. With our creativity, we have become a rich and strong nation where men are free and may live in decency and dignity.

Yet much is undone in the doing of which American agriculture must be a primary instrument. Here we stand today, and we appear to be on the road to progress. What do we see as needs of people in the years ahead? We are almost exactly two-thirds of the way through the 20th century. What must one seek to do in the third of this century ahead?

Secretary of Agriculture Orville L. Freeman has anticipated these questions. To find some answers to them, he

(more)

has asked all of us to project our vision over the next 33 years. The projections, now being formulated, are based on the goals and the work of all our agencies. We know that to attain them we shall need the same creativity that has sustained us in the past.

### Agriculture/2000

This program of ours has come to be known as Agriculture/2000. It looks ahead in terms of goals, instruments and administration for one year, five years, and all the way to the Year 2000. The Secretary has set six major missions of the Department of Agriculture for the future -- Income and Abundance, Communities of Tomorrow, Resources in Action, Growing Nations -- New Markets, Science in the Service of Man, and Knowledge for Living.

These missions emphasize the upgrading of the quality of living for farm people, rebuilding of rural communities, and hopefully a reversal of the trend of forced or aimless migration from farm to city. Among our missions, this one can be achieved only through the highest types of creativity in thought and action.

(more)



Through the first two-thirds of this century, agriculture has contributed generously to the building of an urban society. Not only its produce but also much of its talent has gone to the cities. Many of the young men and women have left rural communities to find employment, homes, and recreation in the metropolitan areas.

### Special Qualities

There are and long have been special qualities of rural living. If we are to preserve this way of life or to avert its wanton destruction, and in the national interest to strengthen it, we must find a way to reverse the migratory trend and to make rural opportunity attractive. And to build such opportunity, we must call on all the creative qualities we can muster.

There must be more opportunities for fruitful jobs in rural areas, better educational and recreational facilities, more conveniences and community services, plenty of clean water, more health and medical services, better roads, and rural planning that will assure stable and attractive communities. We must not try to force people to stay in rural America but we must create a context in which they are not forced to leave.

Again, and fully in the national interest, we must continue to help raise farmer income to provide parity of return and of living comparable with that of all other people. To be successful today, a commercial farmer must be a businessman. His investment is great and requires careful and continuous financial planning. He needs economic information to do this, and he needs it accurately and in timely fashion.

Whether we are creative enough in providing such information today is a question that you can answer best.

#### Informed Public

The national government and all its parts and parties are committed to keeping the public informed. State institutions have similar goals. Nearly all of the major acts passed by Congress -- about 180 affecting our Department -- call for full dissemination of information. Now the new Public Information Act unequivocally reaffirms this policy.

The Government fully supports the public's right to know, its need to know, and certain limitations necessary for national security, privacy, and administrative management. Last year the Congress passed the Public Information Act which went into effect last week. It spells out more clearly

(more)

the public's right to information from government agencies and the procedures to help assure protection of that right.

The Department of Agriculture knows its obligation and its need fully to tell the public what we are doing. It has always provided information to news media and the public. We shall keep it that way. And we know that the Land-Grant Universities follow the same rule.

Most of our programs would be unavailing unless the people were well informed. The very nature of our programs makes it essential to give the public full knowledge of what we are trying to do if we are to achieve our goals.

#### Good Communications

Much of the success of American agriculture can be attributed to our communications system. It is also an outstanding example of cooperative action between private news media, government agencies, and educational institutions.

Good communications require access to essential information. As professionals you know of the relationship of agricultural research, education and the Cooperative Extension Service.

(more)

The States and the Department recently finished a long-range study of research study to help guide our future work in agricultural science. Out of this study came a plan built around 10 goals by which agricultural research can contribute to national needs. We analyzed some 13,000 research projects in the States and about 3,000 projects of the Department.

We have classified the State-Federal research activities into 91 categories. We now can and do inventory these research operations in detail and in numbers. And we have integrated our research plans into the Federal budgeting process and the programming activities of the States.

#### Automated System

We also are transferring the inventory system to an automated information storage and retrieval system. This system ties to our own National Agricultural Library, to its connections with other libraries, and with the fast developing national information net.

We are developing a similar system for Cooperative Extension Service functions. A joint committee composed of Federal, State, and public representatives is studying

(more)



extension activities throughout the United States and will report about a year from now. The Federal Extension Service and several States are developing pilot programs for a management information system to be used in program planning and budgeting, similar to the one adopted for research. All of the activities of Extension are being reported under 11 major elements of purpose.

In the future we will be able to know in great detail what we are doing in research and extension. We can get information far more rapidly and accurately than before. We will have the basic facts for fast communication to the people.

#### Series of Six

In his series of six speeches on Agriculture/2000, Secretary Freeman foresaw:

A land of 300 million people living in less congestion than 200 million live in today.

A countryside dotted by new towns and growing rural communities where the benefits of community life are matched by the rich beauty of the countryside.

An agriculture fully sharing in the national prosperity -- with full parity of income an accomplished fact.

(more)

Urban centers free of smog and blight, with ample parklands, and other recreational facilities within easy reach of all.

A land free of devastating floods and serious pollution of water and air.

New industries and factories dotting rural America, providing the necessary economic underpinnings for the good life in the country.

And there are more projections of what man may be able to achieve by the Year 2000:

Agricultural space satellites that will supply the basic intelligence for agriculture.

Information gathered from throughout the world is transmitted to computers for analysis and immediate use.

Biological and chemical controls will have eliminated flies, mosquitoes and about a dozen other insects which caused half the damage in the Sixties.

Weeds and plant diseases will be almost completely controlled.

Complete inventory of the soils of the world and adaptation of crops to soils.

Irrigation completely automated and controlled by computers.

Livestock kept in environmentally controlled shelters and produced for market in a third less time and on a third less feed.

Growth chemicals and light controls will keep lawns and shrubs at desired height without mowing and clipping.

(more)

Woodlands will be improved to help provide 300 percent increase in recreational facilities and to meet the nation's needs for greatly increased timber supply.

Computer-controlled machines plant the crops, fertilize by prescription, determine when produce is ready for market, harvest on order, and grade and package the commodities for delivery by supersonic cargo planes to fully automated warehouses.

Homes will be built in clusters around open parks in thousands of new towns dotting the countryside. Shopping centers and factories will be in easy walking or driving distance.

Houses will have movable partitions that can be added or removed as size of family changes.

Kitchen wall will have bank of refrigerated units, each with different temperature for different foods.

Refrigerators will contain such advanced foods as instant sandwich mixes and frozen lettuce and salad mix.

Cupboards will contain sheets of freeze-dried catsup, barbecue sauce, gravy, relish, and syrup that can be kept indefinitely without refrigeration and reconstituted at housewife's convenience.

Meat and milk will be produced with the exact fat content desired.

And many new foods will be added to the American diet.

The values of the family farm will have been reinforced.

### Dramatic Examples

These are dramatic examples of creativity yet to come in agriculture. Some may sound a bit startling but they are

in the realm of reality and many in fact are nearby. The advances of science in the second third of a century may well make these projections conservative for the next third.

What do we foresee as the role of the professional communicator in the Year 2000? What should our agricultural journalism students of the next 33 years be learning?

We already have an amazing array of communication facilities at our command, and undoubtedly those facilities will continue to be improved and expanded. Within this second third of a century, for example, we have seen television sprout and grow to be one of our most widespread and effective instruments of communication. Will something come along to outdo it in speed and appeal? Quite likely! It may be individual receiving sets that can be tuned to bring almost any kind of information that a person desires from a much broader range of sources than we now offer.

#### Modern Patterns

The communications satellites have revolutionized our pattern of transmitting messages around the world. An example of their effectiveness was demonstrated once again recently on the program "Our World," which picked up live

(more)



programs in 18 countries and broadcast them to nearly one-fifth of the total population. The live telecast varied from farm production scenes in Wisconsin to a rehearsal by the Beatles in London, to a baby being born in Mexico.

There are many revolutionary developments in our own day-to-day communication activities. Some of the States, for example, are installing two-way radio systems so that Extension workers can relay research information more rapidly to farmers. I understand that the Agricultural Extension Service is developing such a system here in Nebraska. Also, I am told the State of Nebraska is in the process of developing a consolidated communication system for all of its State agencies. If it is approved and installed, one network of lines and transmitting stations would be established to serve all agencies with their separate frequencies, at a reduction in total cost and a great increase in service.

#### Hardware There

One thing I am fairly certain about. The hardware will be available whenever we are ready to make full use of it. I am not particularly concerned about the hardware in the communications field. Neither am I particularly concerned

(more)

about the quality of our information techniques. I believe that you and other professional communicators are ably trained in the use of information media. Professionals are expected as routine to write well, broadcast, visualize, and transmit messages on the subjects of agriculture as they have done in the past.

The Communications Handbook your Association developed is good evidence of your capabilities.

I have some concern about our proper use of time and space in today's competitive world of communications. They are the most expensive elements in any commercial communications program. Government has no difficulty in transmitting official materials specified by statute through commercial and our own media. News gatherers are generous in providing outlets for us where we can use them well and in keeping with political and administrative propriety. But, using them well is a real test of our ability.

#### Use of Time

We need to learn more effective use of time and space not only from the standpoint of the outlets, but even more so from the standpoint of the audience. The competition

(more)

for their time and attention is as keen as the commercial competition for time and space in the news media.

My main concern personally -- and I deem it the greatest challenge we face in the communications field -- is knowing our audience. And in agriculture we have many audiences, more probably than any other industry in the world.

When I speak of knowing our audience, I do not mean only knowing the theories of how to reach people. I mean knowing personally, if possible, or at least second-hand the types of persons who constitute each audience, their background, their needs for agricultural information. This becomes difficult, of course, for those of us who are removed from our audiences. But that does not absolve us of the responsibility of obtaining fullest possible information about them.

#### Must Know People

Whether it's for now or the Year 2000, we cannot communicate effectively until we know much about the people we are trying to reach. Perhaps that is why the county agent has become a highly respected person in his county. He mingles with his audience every day, and knows how they think, what they want, and how their wants can be served.

(more)

The county agent has a pretty good idea of what kind of information the livestock producer needs and wants. He is acquainted with farmers' problems in producing crops and marketing them. He is acquainted with 4-H Club leaders and volunteers and what information they need to provide to local youth. The county home agent is aware of the homemakers' situation and what will help them most in buying and using foods, fabrics, and services for their homes and families.

There is one group of people who probably know their audiences better than any other group in this country. I am thinking primarily of the officials elected to represent all of our people in the Congress of the United States and in the Legislatures of your States. If they don't become well acquainted with their audiences, they probably won't represent them very long.

#### Have Responsibility

They have not only the responsibility of keeping their constituents informed about their government, but also of obtaining from them their own wishes for future legislation and program needs. We can learn from them some good lessons in communication.

(more)



You State editors have many audiences to serve. You are reaching many types of farm audiences and a number of urban audiences with different messages on agriculture. Your institution also needs to reach State officials involved in planning, budgeting, and directing programs important to agriculture. You must reach community leaders with information on programs of special interest to them and the people they serve.

In short, you are a principal communicator with the people of your State on subjects of vital concern to all of us. You must know these different audiences, understand their needs, and be able to inform them most effectively. You have a tremendous responsibility. And you have my admiration and respect for the job you are doing.

Good Audience

Now, I have covered considerable time and space in visiting with you about creativity in agriculture. The facilities for our meeting have been splendid. You are a very good audience. I have known some of you over the years but as is always true of an audience, I don't know you well enough. Perhaps the next time we get together, I will have taken my own advice and get to know you better.

(more)

Early in this paper I tried to say what creativity looks like to me. I know it has always been with us -- or mankind would not be the complex, contentious and generally admirable creature it is. I know that to be creative there must be the idea, the spark, the analysis, the drive, the discipline and the work. I also know that without communications to others there is no impact of creativity on others.

-----

USDA 2138-67

U. S. DEPT. OF AGRICULTURE  
NATIONAL AGRICULTURAL LIBRARY

JUL 15 1967

CURRENT SERIAL RECORDS

128039  
M 472  
Cap. 2

THE DEPARTMENT-STATION PARTNERSHIP

It is a pleasure to be here today - in the heart of America. As I flew in, I noticed the broad sweep of Midwest farm land - typical of a productive agriculture. This is the same land passed over by many pioneers as they travelled by covered wagon to settle the West. Each effort - the development of the land for agricultural purposes and the banding together of families as they moved westward - is evidence of kinds of teamwork that have gone into the shaping of our country. And today I deal with the need for teamwork in every major effort to shape our future.

The American story is one of people - and problems - and solutions. This is our democracy. Its story gives meaning to our being together now. Those of us in this room are heirs to a movement that is over 100 years old - the Land-Grant system. This was a plan that at least formally was Federally envisioned to encourage the development of State colleges to serve the people. The colleges grew and became big universities - universities that like all else today are experiencing changes and challenges. At the same time, there is persistence and vitality in the original and traditional relationships we have known so well. We still feel strongly about the Federal-State partnership - the research-teaching-extension team - the agricultural-home economics-forestry team. All have been with us for a long time - have become institutionalized in our thinking - and to question these traditions has seemed almost sacrilegious. Yet in fact they are not and never have been rigid in structure or ritualistic in act, so there are always questions to be asked and answered. In our 100 year old Department we are talking about and planning for the year 2000. New programs are emerging and other programs are changing. New missions



are appearing. Solutions must be found for the future - not the past. Changes are taking place at your universities too - and within your profession. What will this mean for the partnerships we have known - and specifically for those of which you are a part?

Let's take a look - first at the Station-USDA relationship. And may I discuss this largely in terms of science and service? The Station - with at least one in each State and Puerto Rico - were created as were most other institutions - in recognition of a need. If agriculture in the broadest sense of the word were to be taught, there must be scientific knowledge. Moreover, if science were to have a problem-solving meaning in the 19th century, a system was needed to direct scientific efforts toward the problems and goals of the day. In Agriculture the Experiment Station system became a major instrument for that direction.

The enactment of the Hatch Legislation of 1887 provided formalized and continuing Federal support for scientific endeavor. From this there evolved a sort of model organizational pattern for Federal-State relationships within the Department of Agriculture. The pattern, including the Federal Legislation, grew out of discussions of agricultural societies plus debates and discussions both within and among the early Land-Grant institutions.

There is a lesson here. The Federal-State partnership still exists. It is far closer than most people know. Generally, it works well. Admittedly it appears to pull in opposite directions at times. Yet, it is still a team effort seeking through debate and deliberation, to find consensus in formulating and achieving our mutual goals. The most recent effort was the joint development of a long range plan for research in the agricultural sciences - an umbrella term which covers numerous interests as wide as the missions of



Agriculture. It includes forestry research, home economics research, investigations in veterinary medicine, in business administration, in psychology, anthropology, and even the arts. Scientific talent to meet today's complex needs requires partnership in the broadest sense.

In the development of the long range plan, an inventory of research endeavors - State, USDA, and industry - was made. The research talent doing today's job was identified. This inventory told a story - but it was not enough. Professional groups such as yours have seen a challenge in this plan and have accepted a role in evaluating both the worth of the long range plan and its meaning, in keeping with your scientific interests and competencies may take you. You are to be congratulated on your vision and forthrightness in proposing this seminar. It is through effort and teamwork of groups such as yours that the plan will go forward.

Why is home economics on this team? How does your profession fit in? I am not competent precisely to define your area of concern. I hear you may not even agree among yourselves - and I would be surprised if you did. If this be true, you have good company in other disciplines. Most thinking, progressive, active professional groups have their differences in point of view. It is easier for me - a layman in your area but familiar with your work - to identify your interests as those with a family and consumer focus. I also sense awareness by you of the variations in manner of living found in American society and I think that somehow you interpret this diversity as a positive element. You also actively endorse the need to work toward improved levels of living. These are among the primary missions assigned to the Department.

I see these same goals, and many more, clearly outlined in the

research plan for the future. I do not intend to go into the study in detail. This is being done by others appearing on your program. Those more knowledgeable in your field of interest have identified the elements in the study to which you will give special attention. You have invited resource people to probe these areas in depth. However, I do wish to make one or two points in relation to the study. There is generally-recognized need for substantial expansion in research dealing with the living side of society's concerns, although this does not mean cutting the production side.

We have a great success story in agricultural production and in the research contribution that has accompanied these developments. There is a somewhat less than proud story of accomplishment in the solution of human problems, and especially those stemming from poverty and misery - even in a largely affluent America. It appears to me that there is not only recognition of need to alleviate these problems through direct programs, but also an awakening understanding that research can be as important to the solution of human problems as it has been to production problems. It is here that home economics research should have an ever increasing role. This is why yours today is a primary position on the team. The challenge is yours.

Now, briefly a word about how we plan to make the long range study work. It has already become an integral part of the Department's budgeting process. Projections have been made for the next ten years. They represent the best thinking of the best brains we could tap. These people were realists too. You will note that not all areas are programmed to move ahead at the same pace. You will note that even those areas that are scheduled for a "status quo" position will still be budgeted to receive added support in order that increased costs of research may be met in the future. And other



speakers on your program have told you that even these projections will receive annual review and adjustment as new problem areas become known. In this fast moving era, no crystal ball is very clear as one approaches the end of a ten-year period. But it is our intent - the universities and the Department - that the plan be followed as a strategic track within the limitations of national priorities and restraints.

Some have said that the study, in essence, says "more of the same." Is that really so? Let me use just one example: Goals II and III deal with production and protection of farm and forest; Goal VII with Consumer well-being and human nutrition. If projections for 1972 are to be attained, an increase of 22% in production research is proposed for the 3 goals combined; 35% in protection effort; and 59% in consumer-oriented work. Is this "more of the same"? Yes - some more. But it also says a lot about why you are here this week devoting time to programming research for the future.

I have some concerns - one of which I am sure must be a concern of yours. It is that of coordination of efforts at all levels. For example, home economics scientists, along with other disciplinary interests, have been working toward improved family housing. Research has focused not only on the physical structure, but on the place where people live, with all its associated problems. Methods must be found for improved communication among all individuals, agencies and organizations that talents with common interests may be coordinated to focus on the larger problem. Benefits of improved communication would, hopefully, extend our research effort. Information retrieval systems now coming into being, while still suffering the normal birth pangs at the moment, should aid measurably in identifying linkages in

the many research efforts underway. Hopefully, scientists under your administration will be in a better position to see their place in the larger effort.

I chose the place where we live as an example. I could have selected food quality, human development, nutrition, or many other problem areas identified in the long range study. The point is that it takes a multiplicity of efforts - and communication that is quick, meaningful, and dependable - if we are to move forward together. We are on the threshold of making this tool available to scientists nationwide. We will anticipate results in quality and effectiveness of research output.

May I share some other concerns with you? One is that of making respectable the use of one's research talent in the service of humanity. In some circles, basic research - that which is not pragmatically oriented - has almost become one word - if not a hyphenated word. I personally prefer in general, the simple term research. This is no quibble over terms. It means rather that the methodology to do the job in a sound manner is always the same. Any research can be designed to serve social or other needs, can conform fully to accepted scientific method, and can be purposeful in outcome. Selection of questions on applied research relates to mission. Yet, once this is done, meaningful applied research needs no apology. Moreover, with limited personnel, we deal in the art of the practical. You know whereof I speak.

Some work under your administration will be more basic - or less goal-related - than other. All problems cannot be attacked at once. But, one point should be kept in mind. You are also educating the talent needed for tomorrow. University scientists in their research programs, especially those in which graduate students are cooperating, must hold to standards that



are academically acceptable, purposeful, sound, and problem-oriented to the extent that research yields understandings needed in today's complex society.

One other point should be made clear. The long range study, including its goal orientation for research, does not negate the scientist's right to determine research direction and problem selection. The goals are broad, and choices within the framework of the study are largely of the scientist's own making. This report is, in part, an administrator's tool. Yet any competent administrator knows that research is done by scientists; it is part of the job of the administrator to select the right person for the job to be done, to assist with facility and support needs, and to provide a climate that the scientist may "produce." The scientist does the job.

I am told that the Commission on Home Economics, NASULGC, in its initial meeting established two fundamental needs of home economics in member institutions:

1. To enlarge the scope and strengthen the base of research in home economics, and
2. More effectively integrate the research, resident instruction, and extension functions of home economics.

Let's look at this latter point for a moment. The Department is deeply interested in that need.

Federal programs administered by the Secretary of Agriculture have been closely involved in your research development. Support has been channeled through the Experiment Stations, plus contract, grant and facility funds. Your contribution to the missions of the Federal-State team is readily identified. It is increasingly important in the Departments' goals and

responsibilities. As in other fields the focus on instruction, including graduate education must be much the same as for research and extension. There is already clear and present need for more and better trained people for jobs of the future in dealing with family and consumer well-being. A closer integration of extension functions with other interests in home economics has a potential for strengthening the program base of the Cooperative Extension Services. Yet in your field there is little basis to question the Federal-State relationship for home economics in any of its components.

The quality of living of many Americans is tied up with this question, "how do we get more research and better research to undergird action programs?" Many programs affect individuals in the family or touch on single problems faced by a family. But we really have very little research directed toward reinforcement of the family. In fact, one might observe that some programs may appear at least superficially to contribute to the breakdown of family unity. Is this what we want? We have no specific Government policy regarding the family as an institution in society. And it is certainly an issue of legitimate debate as to whether there should be any single goal or goals. Nonetheless, many programs do affect our families.

There are no normative judgements here. Yet there are suggestions for sharing or even transfer of specific family functions made by responsible people. We design programs to meet specific social problems when they become most pressing. Or, we plan programs to meet specified human needs - as sufficient food, health care, or job training. What does this splintered approach mean to the family as a social entity? Could research yield insights? It would appear to me that this might well be a major concern of your profession.

A similar question stems from the fact that we are a dynamic and mobile society, but, with the rate of change today, we have not judged too carefully what this means to the family. Could research interpret human need within the context of geographic, social, and economic mobility?

I have shared some thoughts with you. Now let me state the challenge. The long range plan contains missions and goals presumed to be those of your profession - and of others. I have rambled a bit - implying that all the research needs may not be included in the report. I also acknowledge that not all ideas worthy of study should be in that report. Now, what do we need to do to get the job done? Are the projections feasible? What is the Station potential in meeting the projections? We are looking forward to your comments and suggestions. They will be reviewed with care. The next step is yours.

And, let's not forget, the partnership approach is not one of Station-Department only. It is one of joint attack on relevant research problems by all concerned individuals - scientists and administrators in the Department, Directors of the Stations, Home Economics Administrators, and Station and other scientists from all disciplines. Those in a university setting are most favorably situated for a team approach. And, finally, development of a sense of urgency regarding research with focus on family and consumer needs will be required if our projections are to be met.

-----



U. S. DEPT. OF AGRICULTURE  
NATIONAL AGRICULTURAL LIBRARY

MAR 8 1968

CURRENT SERIAL RECORDS



## THE NUTRITION EDUCATION CONFERENCE

It is a privilege to welcome this distinguished group of individuals to the National Nutrition Education Conference to consider how we can improve the communication of nutrition information.

I understand that you come from all over the country -- from every State in the U. S. -- as well as from the Virgin Islands, Puerto Rico, and Canada. Among you are scientists, educators, and representatives of public and private groups concerned with the nutritional health of our people.

With such a wealth of dedicated talent, I am confident that you will achieve your goal of making sound nutrition more widely acceptable so people will use it in their everyday living.

This conference follows in the tradition of four previous illustrious meetings:

The first and now classic National Nutrition Conference was called by President Franklin D. Roosevelt in 1941 to consider the nutritional status of a nation at war. The second conference in 1952 convened to review progress in nutrition and determine ways of strengthening existing programs. The last two conferences -- in 1957 and 1962 -- were largely concerned with improving nutrition education, particularly for children.

---

Welcoming remarks by Dr. George L. Mehren, Assistant Secretary, USDA, before the National Nutrition Education Conference, Mayflower Hotel, Washington, D. C., February 20, 1967 - 9:30 a.m.

---

We knew in 1941 that no single group alone could do the job involved in helping all our people make the best use of our abundant food supply. The fact that this conference represents so many organizations indicates that this is still a multi-dimensional job.

We know much more about the science of nutrition now than we did in 1941, of course. But a great gap still exists between knowledge and practice. There are many more Americans in 1967 than there were in 1941. Each generation must be taught anew the proper habits of nutrition as a guide for good health.

In a country that has the best, most abundant, most varied, and cheapest supply of food in all the world, you would think that everyone would be well or adequately nourished.

But the really remarkable fact to me -- and this clearly shows the difficulty of the challenge you face -- is that only about half the households of the United States have adequate diets. By this I mean diets that meet the standards set for adequate nutrition by the National Research Council.

Poverty, of course, is the great hazard to national nutritional health. This is not difficult to understand. Among our low-income population, an estimated 70 to 75 percent have diets that are deficient in one or more respects.

But not all the malnutrition in our country is due to poverty. Poor food selection also contributes to malnutrition. Poor food choices are made because of ignorance, misinformation, and plain lack of appreciation of the relationship of good nutrition to health and well-being. And to further

(more)

complicate your job, the people who select poor diets are scattered in all groups of the population. They are found at all ages and in all geographic areas. They come from varying cultural, ethnic, and economic levels.

Those who need help are obviously not easy to identify or reach. No one approach will suffice.

We in the U. S. Department of Agriculture have a commitment that is far broader than the job of promoting the production and distribution of a large and nutritionally adequate supply of food. Our interest must also include the use of this food to maintain an adequate level of nutrition among all segments of the nation's population.

We have a special commitment to see to it that this food is within the economic reach of vulnerable groups. For low-income families, we have two programs:

The Food Stamp Program makes it possible for low-income families to stretch their food buying power with the help of Federal funds. This program is growing rapidly -- by the end of this fiscal year it will be available to 2 million needy people in some 870 counties in 42 States and the District of Columbia. Associated with the Food Stamp Program is a nutrition education effort for participating families. This education campaign calls for a community-wide effort involving Federal, State and local agencies to use all available know-how and communications media to get across the basic nutrition story in a practical and effective manner.

The Commodity Donation Program -- the direct distribution of foods acquired under price support and surplus removal programs -- is reaching 3.6 million people in more than 1,600 counties and cities. We are doing

(more)



what we can here, too, to teach participating families how to build a nutritious diet around the donated foods. A promising approach was developed in cooperation with OEO in Project HELP in Mississippi using the homemaker's aide technique.

The National School Lunch Program has had twenty years of experience with improving the diets of our children. Some 19 million children are participating this year in a program that daily offers a demonstration in good nutrition as well as a good meal. We need to go much further with this one. There are nine million children who have no access at all to a food service at school and participation in program schools is not as high as we would like to see it. The schools with no food service are primarily the urban neighborhood elementary schools and isolated rural schools. Both need more help than we were in a position to provide for many years.

Now, we have the Child Nutrition Act of 1966 under which we can provide assistance to needy schools in the purchase of equipment to initiate or expand food service; we can offer the States assistance in providing a breakfast to children in low-income area schools and in those where children travel long distances. By mid-February, breakfast programs in 26 States and Guam got under way with more than 20,000 children participating. These are good breakfasts that meet a tested nutritional pattern and make a positive contribution to a child's health.

We can now also assist schools in providing lunches to pre-school children enrolled in school sponsored programs.

(more)



The President has also announced that he will propose legislation to still further broaden our authority to reach needy children in group situations other than school.

The Department's continuing research on human nutrition provides the basic information used by nutrition education specialists.

From this research have come such useful reference materials as tables of food composition, food budgets at different cost levels, food selection guides, information on the food supply and food consumption in the United States, and other consumer materials.

Research -- particularly basic research -- is certainly the key to our understanding of human nutrition and its relationship to human health and lifespan. We have come a very long way since Congress initiated the first Federally-supported research in human nutrition in 1894 . . . and the first food composition bulletin was published in 1896. The payoffs in beneficial results from relatively small original investments in research have been tremendous, and almost impossible to calculate in terms of improved health and longer life.

For example, persistent and devoted research in nutrition by Dr. Conrad Elvehjem of the Wisconsin Agricultural Experiment Station produced niacin, which was used experimentally on six patients incurably ill of pellagra and given only a few days to live. The patients were restored to health and niacin became the cure for pellagra, a once baffling and widespread disease of man. Soon afterwards, scientists worked out the chemistry of carotene and vitamin A, showed the importance of iodine in metabolism, and discovered vitamin D. Then, scientists found that vitamin D could be given to animals by direct irradiation of ultraviolet light, thereby providing an immediate method for eliminating rickets in animals and in human beings.

(more)

Payoffs of this kind can be found throughout the field of human nutrition research.

Magnificent as these achievements have been, though, the problems we face now are increasingly difficult and demand greater effort in providing solutions.

For example, we have biochemical measurements to determine an individual's nutritional status. But we lack precise knowledge of the relationship between varying levels of nutritional health and overall physical and mental performance.

We do not know the range in amounts of nutrients that a normal individual can consume and still maintain good health and vitality. We need more exact knowledge of the kinds, amounts, and combinations of foods that will support the highest level of health.

We are still largely unfamiliar with the food consumption habits of specialized population groups -- such as the very young or old, or the sick.

And, of special concern to you, we simply do not know with any degree of precision why people choose the foods they do, and how we can change poor habits of selection.

The answers to these questions will eventually come. And when they do, the payoffs may be as great as any we have realized in the past.

Other Federal agencies as well as private organizations contribute significantly to nutrition education.

Recent legislation has permitted the initiation of new government programs and the expansion of others -- such as Project Head Start, and Medicare, and the programs of the Administration on Aging.

(more)

Yet, even with these excellent Federal programs, the fact remains that the day-to-day educational task must be done by people like you. It is you who must develop, adapt, and conduct the programs at the State and local levels, or prepare individuals to work effectively in nutrition education.

Today, a great part of the challenge in nutrition education is to upgrade poor choices so that everyone will have an adequate diet. "Effective Communication" can achieve this goal.

On behalf of the sponsoring agencies, may I bid you welcome to Washington and extend my best wishes for effective communication here and in the years ahead.

\* \* \* \* \*

141 150/

U. S. DEPT. OF AGRICULTURE  
NATIONAL AGRICULTURAL LIBRARY

**CURRENT SERIAL RECORDS**



U. S. Department of Agriculture  
Office of the Secretary

FOOD PRICES

The Issues

The subject which I have been asked to discuss certainly is a timely one, and it is one in which there is considerable and widespread public interest. This fact is evidenced on many fronts. For example, we have observed the work of the National Commission on Food Marketing representing the Executive Branch of Government. And only recently, the Department completed a report on Food Price Developments requested by the Senate. Consumers, too, have been interested in food prices as evidenced by the considerable correspondence received by the Department requesting information on this subject.

Food prices are a legitimate and important area of interest. Few products rival food in terms of their far reaching impact on economic life. We often judge the standard of living of a nation by the distribution of consumer expenditures between food and other consumer goods and services. In general, the standard of living of a nation improves as the percentage of personal disposable income spent for food declines. Price, of course, is a key variable determining what proportion of income consumers must spend for food and what is left for purchases of other goods and services.

---

Address by Assistant Secretary of Agriculture George L. Mehren at the Conference on Competition in Food Marketing, sponsored by the Agricultural Policy Institute, North Carolina State University, Raleigh, North Carolina, January 24, 1967, 7:30 p.m.

---

Also, food prices are a major component of the consumer price index. As such, they have a substantial impact on wage contracts, many of which are tied directly to the index and on the general problem of inflation. Our balance of payments and outflow of gold are also affected by food prices because of their influence on the general price level and our ability to compete in foreign markets. Thus, with the important role that food prices play in the economic life of the country, it is appropriate to give some consideration to developments in food prices and try to pinpoint some of the underlying factors which have been associated with price movements.

#### Complexity of the Marketing System and Price Behavior

In any discussion of food prices, we inevitably focus a good part of our attention on the marketing system -- not only because of the role it plays in physically moving foods from farm to consumer, but also because of the vital economic functions it performs in the process. From an economic standpoint, we depend upon the system to operate a pricing mechanism that will clear the market of supplies at an acceptable price, distribute the sales proceeds equitably, and effectively allocate productive resources. Furthermore, we depend upon vigorous and fair competition to make the system work. Since the days of Adam Smith, we have alluded to the purely competitive model as a frame of reference in conceptualizing the kind of competition there ought to be in order to achieve a perfect or at least a workable solution to the problem of pricing efficiency. Under this formulation, we are assured that the price of each product is the lowest possible.

(more)

This conceptualization, which applies fairly well in some sectors of agriculture, does not describe our contemporary marketing system and hence, there is no assurance that food prices behave in the desired way. This is especially so at the retail level. Many small stores selling homogenous products with the output of no one large enough to influence price is rapidly disappearing from the distribution scene. In their place, we have seen the emergence of large food retailers who in many instances have integrated both vertically and horizontally and are capable of developing their own pricing, merchandizing, and promotional policies. We have seen retailers establish their own processing plants, develop their own private labels, and employ various techniques for manipulating demand. The open market, which once was the primary mechanism whereby prices were set, has diminished in importance with the appearance of various forms of integration of contract negotiations and other forms of direct buying.

Furthermore, recent research by the Department indicates that the retailer is apt to follow a variable price policy in which the pricing goal is not so much related to individual products, but rather to yield a given net return for a bundle of products as a group. Under these circumstances, the price of any given product may not necessarily reflect current supply conditions. Because these changes represent a sharp departure from the purely competitive model, of which many of us have been so fond as an analytical tool, the system in its present state is viewed with a wary eye by many economists, farmers, and consumers alike.

(more)



They wonder whether the clearly-defined change to bigness will lead to collusion and perhaps an abuse of power. They ask to what extent changes in food prices represent a normal response to the basic forces of supply and demand? To be sure, these are complex and difficult questions to answer. Certainly our present theory is not adequate to provide all of the answers we seek. New conceptual models, perhaps building on and extending the pioneering work of Robinson, Chamberlain, and others are needed to enable us to do a better job of describing, analyzing, and evaluating basic economic forces related to food price formation and behavior. Nevertheless, with such tools as we have, we must attempt to understand and explain developments in food prices and food price movements, not only for public policy reasons, but also because of the vital role they play in the lives of every citizen.

#### Developments in Food Prices

The past two years have been marked by rather unusual rises in retail food prices. In some measure at least, we have become accustomed to annual retail price increases of about 1 to 1½ percent. However, during 1965, retail food prices increased by 2.2 percent over the previous year, and in 1966 prices averaged about 5 percent above a year earlier. The price rise in 1966 was due mainly to higher prices for dairy, meat, bakery, and cereal products. These products accounted for about two-thirds of the overall increase. The magnitude of the 1966 price rise is not unprecedented, but it is the largest annual increase since an 11 percent jump in 1951. Perhaps it has been these developments which have accounted for much of the recent public attention directed at food prices.



The unusual price rise that developed in 1966 can be traced partly to reduced supplies of some important foods, but mostly it was due to the strong advance in demand for food products. An exceptionally strong demand for food is implied by the simultaneous increase in prices and consumption which occurred during 1966. The strong demand for food resulted from a combination of increases in civilian per capita consumption, exports and military requirements. Per capita civilian supplies are expected to be somewhat larger in 1967 than in 1966. However, continuing strong demands accompanied by rising costs of processing and distribution could very well result in further increases in retail food prices during 1967, although increases are not expected to be so much as in the previous year.

A relevant and important question is how these changes in food prices compare with changes in the prices of other consumer goods and services? A comparison of changes in food prices with changes in non-food prices indicates that, while some items in the consumer budget have not increased in price as much as food, a good many others have increased considerably more. For example, in November 1966, medical care was up 31 percent from the 1957-59 base period; footwear, 23 percent; reading and recreation, 18 percent; and public transportation, 30 percent. These increases may be compared with a 13 percent increase in the price of food at home over the same period. Of the 13 percent increase in the price of food consumed at home, 8 percentage points of the increase occurred since 1964. There are other items in the consumer budget, however, which have not increased as much in price as food. This includes such items as consumers' durable goods, gas and electricity, women's and girl's apparel, and private transportation.

The net effect of the increase in food prices appears to have been to bring them more in line with price increases which have taken place over the years for other consumer goods and services. During most of the past decade, food prices have lagged behind prices of other consumer goods. As a result of the price increases during the past two years, the consumer price index for all items and the index for food at home stand at about the same level. Even so, it should be pointed out that the price of food still lags considerably behind the price of services which now stands at 25 percent over the 1957-59 base period.

While food costs have increased, it appears that in general the consumer has not really fared badly. Consumers spent about the same proportion of their disposable income for food in 1966 as they did in 1965 -- about 18 percent. Furthermore, this is down from the 25 percent of disposable income they spent for food a couple of decades ago. It is worth pointing out that in 11 of the past 15 years, the percentage of disposable income consumers spent for food declined.

Looked at from another viewpoint, consumers work fewer hours today than they did in the past to earn enough to purchase their food needs. Today, the average worker spends less than 8 hours of work per week earning the income necessary to purchase his family's food supply. A couple of decades ago, over 13 hours of work per week were required to purchase the family food needs. Although food prices have increased, they have not increased at the same pace as consumers' incomes, and consumers have been allowed to raise their standard of living by spending a larger proportion of their income for other goods and services.

Factors Behind Retail Price Changes

For purposes of analyzing the factors underlying price changes, we may divide retail prices into two components -- farm price and price of marketing services. This latter is the price the marketing system charges for the many functions it performs in the process of moving products from farmer to consumer in the form and at the time and place consumers want them.

Data on the USDA market basket indicate that in the aggregate, farm prices of foods during the post-World War II period have not been highly correlated with retail prices -- at least from the standpoint of year-to-year fluctuations and long-term trends. 1/ While the retail price of food has trended upward during the post-World War II period, farm prices in most years remained steady or declined. Only during the past two years has there been a significant increase in the farm value of foods in the market basket. During 1965, farm value, for the first time, increased above the 1957-59 base period -- being about 5 percent above. And in 1966, the farm value was almost 15 percent above the base period. In all other years, the farm value of foods in the market basket was below the base period level. Even with the increases of the past two years, the farm value of food in the market basket is virtually no higher today than it was during the 1947-49 period.

With retail cost of the market basket continually rising and farm value remaining steady to declining, the result has been a declining farmer's share of the consumer dollar and rising marketing charges.

---

1/ The market basket includes the average quantities of 62 products purchased for consumption in 1960-61 by households of urban wage earner and clerical worker families and single persons living alone.

---



Currently, the marketing bill is almost double the farm value of the foods marketed and claims about 66 percent of the consumer's food dollar. In 1966, the marketing bill was in the neighborhood of \$55 billion. Perhaps it is this development that has led some to conclude that production has become subordinate to distribution. In dollar magnitudes, perhaps this is true. Nevertheless, production is the energizer for all marketing activity. We conclude from analysis of the farm component of retail prices that, until recently, rising farm value has not been a principal factor in the long-term rise in retail prices. The increase in retail prices has resulted mainly from increased marketing charges.

Average marketing charges per unit of product handled have increased more than 45 percent over the 1947-49 base period. Rising cost levels and more marketing services per unit of product have been the major factors contributing to increased marketing charges.

Rising cost levels have been characteristic of the post-World War II period and marketing firms, as other industries, have been affected by this trend. Prices of inputs used by food marketing firms continue to rise, maintaining an upward pressure on per unit marketing costs. Labor, which comprises about 42 percent of the marketing bill, has shown a continuous increase in average hourly earnings. During the past decade, earnings of employees in food marketing establishments have increased at an average rate of 4 percent per year.

Prices of other inputs bought by marketing firms have also increased. Intermediate goods and services have increased about 10 percent over the 1957-59 period. Services which include such items as rent, property, insurance and maintenance, and telephone service increased most, being about 20 percent higher than the base period.

(more)



The increases in prices of other inputs including containers, packaging materials, fuel, power and light were more modest, averaging about 4 percent.

Prices of new plant and equipment have also edged higher as construction costs continue to rise. From 1947-49 to 1965, prices of new plant and equipment rose about 8 percent. Interest rates charged by banks on short-term loans to businesses -- after being relatively stable in recent years -- increased rapidly during 1966.

In contrast to increasing prices for most marketing inputs, railroad freight rates for agricultural products have been declining. Since 1957-59, railroad rates have declined between one and two percentage points per year. In 1966, railroad freight rates were only 88 percent of the 1957-59 base period. While complete data on truck rates are not available, the limited information available suggests these rates have stabilized.

The continual rise in the price of marketing inputs requires a high level of efficiency by the system to accomodate these upward cost pressures. To be sure, the food marketing system has shown progress in improving its performance during the past two decades. The declining trend in freight rates is an example of good performance and reflects innovation in rate making and the adoption of new equipment and technology by the system. Output per man-hour in all food marketing has increased at an average annual rate of 2.8 percent. Even with these improvements, however, the system has not been able completely to offset increased costs. In consequence, unit labor costs are currently about 9 percent above 1957-59 levels.

(more)

Thus, rising cost levels are a major explanatory factor in the increase of marketing costs and, therefore, the system is challenged to increase the rate of growth in productivity beyond present levels to offset these pressures. Part of the research program of the Department of Agriculture is directed at helping in this respect by developing information marketing firms can use to improve efficiency.

As one indication of performance, profits as a percent of net worth of food processors and retail food chains have been mostly irregular during the 1950's and 60's. Furthermore, for all types of corporate firms marketing food products, corporate profits constituted about 5.6 percent of the marketing bill in 1965 as compared to 5.0 percent during 1957-59. From these data, it seems reasonable to conclude that profits have not increased enough to be a major contributor to the general trend of higher marketing costs and retail food prices.

The facts of the matter are, increased marketing services have been the other big factor in the rise of the marketing bill. The volume of marketing services increased by 117 percent since 1940, while the volume of food marketed increased only 70 percent. The difference, of course, represents added services per unit of product marketed. These services may take a variety of forms. For example, in the case of the TV dinner, services primarily take the form of the labor and processing required in the dinner's preparation. These functions are performed for the housewife by the marketing system. In other instances, services may take the form of larger parking facilities to make shopping more convenient and attractive stores to enhance shopping enjoyment. Another important form of services and one that is rapidly increasing is that associated with away-from-home eating.

(more)

Theoretically, at least, these services add utility to the products and thereby enhance their economic value. Thus, it is to be expected that increased services will result in higher retail food prices. This, in fact, has been a major factor in the rise of the marketing bill.

Consumer Demand for Farm Foods and Marketing Services

The growing importance of marketing services as a component of retail food prices raises a fundamental question as to the nature of the demand relationships for farm food and marketing services. Such relationships help explain the distribution of consumer food expenditures between farmers and the marketing system and provide insights as to future expectations, with respect to the structure of retail food prices.

An analysis of historical data indicates that the marketing system has increased the supply of marketing services at about the same rate as increases in consumer demand for these services. As a consequence, the real price of marketing services has been basically stable -- especially since 1947. This suggests, at least in an aggregate sense, that the marketing system has performed reasonably well in terms of supplying services in line with consumer demand. Obviously, this is not to say that all consumers are satisfied in all instances with all of the services offered by marketing firms.

Demand analysis -- and there are few studies done in this area -- suggests that rising consumer incomes have been a major demand shifter for marketing services.



2/ These studies indicate that the income elasticities range from 0.7 to as high as 1.42. Choosing an approximate mid-point of these estimates, we would say that a 10 percent increase in income is associated with an increase in consumer demand for marketing services of approximately 10 percent. This finding is particularly significant when we consider the income elasticity for farm food entering the marketing system. This latter elasticity coefficient is only about 0.2 or 0.3 -- that is, a 10 percent increase in income increases the demand for farm foods only 2 or 3 percent.

These relationships help explain the growth in demand for marketing services and the behavior of the components of retail food prices. Even if we accept the lower range of 0.7 as the best estimate of the income elasticity for marketing services, rising consumer incomes increase demand for marketing services about 3 to 4 times as fast as it increases the demand for farm food entering the marketing system. The results mean a growing importance of marketing services as a component of retail prices and a declining farm share of consumer expenditures for food. These relationships in part explain why the farmer's share of consumer food expenditures has declined over the past decade. Moreover, they seem to portend a continuing decline in the future.

---

2/ William H. Waldorf. "The Demand for and Supply of Food Marketing Services: An Aggregate View," Journal of Farm Economics, Vol. 48, No. 1, February 1966.

---



Substantial shifts to away-from-home eating could be particularly significant in this trend. Expenditures for food away-from-home increase rapidly with income. The latest Food Consumption Survey shows that families, on the average, spent 28.4 percent more for food away-from-home in 1965 than in 1955. During the same period, food expenditures at home increased about 15 percent. Making certain assumptions about larger consumer income, increases in population, more wives working, and more recreation, it has been estimated that the size of the away-from-home market for food might rise by 75 percent in a period of 10 years compared with a population increase of 15 percent. 3/ This shift in consumption habits would have a substantial impact on the farmer's share. Rough estimates are that the farmer's share of the food dollar in away-from-home eating establishments is only about 25 percent.

There is one development, however, which will have a mitigating influence upon the trend to higher margins and that is the shift of consumers to a larger proportion of higher resource using foods in the diet. The farmer's share for high resource using foods is greater than for other foods. Beef is a good example. The farmer's share for beef is about 60 percent as compared to less than 40 percent for all farm foods. As consumers' incomes have risen, per capita consumption of beef has risen -- increasing about 15 percent over the past 10 years. Continual shifts to such high resource using foods will tend to suppress the rising trend I have described above.

---

3/ Kenneth E. Ogren. "Marketing Research: A tool for Decision Making," spring meeting of the Society for the Advancement of Food Service Research, Washington, D. C., April 18, 1966.

---

Yet in the aggregate, the farmer's share will likely trend downward because marketing services increasingly will become an important component of retail prices.

I do not imply, of course, that a declining farm share is necessarily bad. Much will depend on increased farm productivity and per unit costs of farm output. My purpose here is simply to explain the expected behavior of the various components of retail food prices.

#### Effect on Food Price Behavior

With marketing services becoming a more important component of retail food prices, certain conclusions seem warranted as to what the effects will be. First, changes in farm prices will have a decreasing impact on retail prices -- especially declines in farm prices. In the future, we are likely to see more products tending toward a price structure similar to that for wheat. The farmer's share of this product is such a small part of the retail price that it would require a price reduction of 70 cents per bushel to reduce the farm value of wheat in bread by one cent per loaf. While this product represents one of the more extreme cases, it nevertheless illustrates the potential impact of changes in the two components of food prices.

A related effect is that food prices will become more integrally related to the overall price level of the economy because the price of inputs purchased by marketing firms which are already related to the general price level will increasingly influence the final retail price.

For example, the data available indicate that labor comprises about 42 percent of the marketing bill, and probably would be even higher if further exact delineation of this cost component were possible. There is no reason to believe that wage rates are going to decline in the near future or, for that matter, in the years ahead. This observation was made nearly 20 years ago by a well-known economist and would seem to apply even more so today. 4/ Perhaps the same could be said for other inputs purchased by marketing firms. Because of this fact, it seems reasonable to conclude that the traditional pattern of retail food prices lagging behind other prices will become a thing of the past, at least, in the long run. In the future, retail food prices increasingly will parallel price movements of the overall economy.

There is another possible impact which we do not yet fully understand. It has been held by some economists that demand is more elastic at retail than at the farm level and the wider the margin the more inelastic demand at the farm. It is not clear to what extent this generalization applies in the present context. However, there is the question of whether increased margins will result in greater fluctuations in farm price in response to changes in supply. This is a complex question and one which needs further study and analysis.

It is clear, however, that with marketing services comprising the major part of food costs, the future level of retail prices will depend upon the performance of the marketing system perhaps more than upon farm prices.

---

4/ O. V. Wells. "Scope and Objectives of Marketing Research," Marketing Research Notes from National Workshop. Washington, D. C., U.S. Department of Agriculture, August 29, September 8, 1949, pp. 18-19.



Thus, finding better and more efficient ways of moving products from farmer to consumer become critical issues in holding the line on food costs.

### Issues in Promoting Efficiency

As marketing firms search for ways of increasing efficiency, there will be as many changes in the system in the future as in the past. Many of the changes in the system in past years were made to adapt to new technology and to achieve better performance. However, one of the crucial questions confronting us is what kind of enterprise organization and structural arrangements are needed in the future to insure that the system performs efficiently, equitably, and progressively. Whenever farm prices are low or retail food prices are high, all segments of society raise questions as to the functioning of the system. Economists must be prepared to answer such questions. Considerations concerning ease of entry, economies of scale, integration, alternative institutional arrangements, and market power will continue to be important. But better criteria of performance are needed to make more enlightened judgments about these changes and their impacts on food prices and the efficiency of the marketing system in general. Public policy demands that these questions be dealt with if economic institutions of the future are to be shaped that will promote the good of all. The challenge to those of us in marketing is to provide information that is needed to resolve these issues.



Findings

It is true that during the past couple of years, food prices have increased more than the 1 to 1½ percent to which we have become accustomed. But the effect of the increase has been to bring the price of food more in line with the prices of other consumer goods and services. It does not appear reasonable to expect that as a general proposition, food prices are going to return to the former pattern of lagging behind the prices of other goods and services. Several factors make this conclusion seem plausible. First, farm prices have been generally depressed since the 1947-49 base period. There is evidence to suggest that this depressed price condition has caused some farmers to leave agriculture causing output to decline from levels that would have otherwise prevailed. Dairy, perhaps, is the most notable example. Dairy farmers have culled herds heavily because of low milk prices and higher prices for cows for slaughtering. Some have even moved out of dairy farming because of continued low income and improved off-farm opportunities. As a result, numbers of cows declined by a record 6 percent in 1966, far more than the 2½ percent long time downtrend. Moreover, milk production declined 3 percent in 1965. We are apt to observe similar trends in other sectors of agriculture if farm prices revert back to prior levels. Added to this is the fact that rural people are becoming more desirous of incomes and standards of living comparable to the nonfarm sector of the economy. If the increasing food needs of an expanding population are to be met, farm prices will have to remain at reasonable levels to induce the required output. Otherwise, we may see food prices rising to much higher levels than in the past.

(more)

The second factor, already discussed, is that food prices will, at least, remain at present levels over the long run because marketing services, increasingly, are becoming an important component of the food price structure. Wage rates of labor, as well as the price of other marketing inputs, tend to follow the overall price level of the economy. Furthermore, they tend to be sticky and seldom decline, regardless of a slowdown in economic activity.

The major challenge to economists is to establish criteria of performance so as to make recommendations as to what types of institutional arrangements best promote efficiency and equity in the system.



U. S. DEPT. OF AGRICULTURE  
NATIONAL AGRICULTURAL LIBRARY

MAR 23 1967

CURRENT SERIAL RECORDS



m472

p.2

LET'S MOVE ON TOGETHER

Where We Have Been

There is structure in American society that is unique to America. This is a restless, ambitious, mobile, contentious, diverse, sceptical, and yet highly self-disciplined people. There is tone to American society that also seems unique to America. It is a tone of optimism; of pragmatism that seems built most of all upon the recognition of individual duty; of superficial sentimentality that overlies a harsh capacity to look at facts, to analyze them and to function accordingly.

It is possible -- perhaps likely -- that the land-grant university system grew directly out of such tone and structure. At the least, it may well be that in the absence of such social attributes, the land-grant university system could not have been born nor could it have prospered. Yet, again at the very least, the emergence of the university system and its growth and change have reaffirmed and fortified the attributes that seem most to differentiate this nation from others.

Here in the United States, it appears that the pre-land-grant systems of education and the associated general social relationships were highly compatible and mutually supporting elements of a basically feudal -- or at least aristocratic -- order.

---

Address by Assistant Secretary of Agriculture George L. Mehren before Experiment Station Directors at Annual Meeting of National Association of State Universities and Land-Grant Colleges, Shoreham Hotel, Washington, D. C., 8:30 a.m., November 16, 1966.

In some nations even today the universities are also compatible and supporting elements of societies that are still basically feudal or aristocratic in structure and in tone. In the universities of those countries the fields of study are few and their names are ancient. Students may -- or may not -- attend classes. The major instrument of learning is reading. There is no meaningful relationship of research or creativity to teaching. There is, in general, no system of coordinated teaching and research to provide any specified professional or other competence. Within course or curriculum there is little if any building of later upon earlier parts. Often there is no laboratory, application or problem-solving work. There is little use of the university in the daily life of people. And finally, within the universities, the faculties, the schools and the departments there is an often-brutal, even violent, authoritarian order.

It is, of course, quite possible to provide, or by somewhat extraordinary effort to get, what has come to be called an American-style professional education in some of these foreign institutions. But it is also still possible to attend or not attend, to read or not read, to study or not to study, and then return home as gentry. The universities differ from those in this country much as the countries themselves differ from this one. It is not or should not be surprising that efforts to alter the universities in some countries are taken as efforts to alter the social and political structures of the country -- and if this not be so in intent, it is so in effect.

(more)

Here in the United States, the land-grant schools were the first to open all fields of knowledge to systematic inquiry. The doors were open not only to the rich or noble but to all with fair intelligence and drive and self-discipline. There was a positivist integration of the teaching, testing, research and ultimately the extension processes. In those land-grant schools it was demonstrated that groups of people may forge consensus of values and goals; that they may in part discover by science how to get those goals; that they need not simply accept -- personally or as a group -- that which time may bring. They may in fact control -- and not merely submit to change. And this may be done without binding constraint upon the diversity of act and word and thought which seems to be the wellspring of creativity in the system.

Perhaps most important, most of us now agree that the "...beauty of a starry night or a forest or a rainbow is enhanced by an understanding of them. Nor does scientific knowledge reduce appreciation of a poet's sonnet, a musician's theme, or a painter's canvas." And we agree also that science has been turned to technology -- and technology to wealth and power.

American universities seem to be the primary channels for the remarkable translation of the findings of the research-teaching processes to developed industrial technology that soon is used. There is a long list of products, processes and ways of doing things that have in a real sense been basic to the growth -- and now to the wealth and power -- of this nation. The contributions made by the land-grant universities in the past are usually outlined in two broad categories -- the specific discoveries and applications of research and the resultant scope and diversity of American life itself.

(more)



These attributes are worthy. Yet I think that they too are no more than symptomatic of the creative attributes I have earlier called structure and tone. And so, to me, it is in the genesis -- or at the least in the nurturing -- of such structure and such tone that the contribution of the land-grant systems seem truly to be magnificent.

### Where Are We Today?

It is an old system, in a formal sense a bit older than a century. It was once almost exclusively an agricultural system. The major surface characteristics seem not to have changed. Yet not even the surface look is one of age or senescence. It is a look of youth so forceful that the thrust of change seems sometimes violent and sometimes almost anarchistic.

Nearly all of these institutions that once were agricultural colleges have begun to call themselves universities, and quite a few of them really are. Some of them are among the elite research universities of the world. Some of them have led the way from the university of yesterday to that which some people call the multiversity of tomorrow.

They are now far bigger. Agriculture does not dominate the best of the universities. It is in fact often a small part. Often it is seemingly walled off -- by itself or by imposition -- from the intellectual life of its own and other campuses. The system of agriculture in some of these schools -- and the practitioner thereof -- seems somehow to have become déclassé, or so it is charged on occasion.

(more)



A massive science and development establishment has been born and has matured in this nation over the past twenty-five years. It has brought the same surge of inquiry that agricultural research first brought a hundred years ago. The Federal-State system of agricultural research and development used 40 percent of all Federal support funds in 1940 -- and it was a small program. Today that Federal agricultural research is far bigger in all respects than in 1940 -- and being bigger it still had fallen by 1965 to a minuscule 1.6 percent of a massive Federal effort that now costs some \$16 billion yearly.

And, so a series of distressing issues of agricultural research and education seem to be afflicting the Colleges of Agriculture today: their relationship to the vastly-different non-agricultural departments on their own campuses; their different status as the farm, forest and food economy continues drastically to shift; their apparent or at least alleged segregation from the intellectual and scientific life of the Nation and the world. Appropriate responses could be made that would satisfy those of us in agriculture that these are not really distressing issues -- that, in fact, all is well. In one way or another the same issues are involved in the relationships of the U. S. Department of Agriculture to other science agencies.

It seems unlikely that the Colleges of Agriculture, the Experiment Stations or the fabric of agricultural research-teaching-extension activities in the Nation are in clear or present danger of withering away. Yet, it seems likely that to avoid withering away, change will be required -- and perhaps change that in some respects seems drastic and even hostile to some of the preconceptions and values that have prevailed for a full century.

For myself, I think that we have changed much in this past quarter century. I do not think we are moribund or even old or feeble. I think that the change in us has been so pervasive and so continuous that we do not really see it as it occurs. We do see it far more clearly in other components of the intellectual establishment of the Nation and the world. But we really see it in ourselves only if carefully and consciously we compare ourselves, not with what we were yesterday, but with what we were two or three decades ago. I believe that we have adjusted reasonably well to a new world, a world that is new in agriculture and very new in almost everything else. But I believe also that if we are to prosper, to give that which we can and should give, and perhaps even if we are to survive, there are still other things we must learn to do. I believe that these adjustments ahead can be made, and that they can be made without doing violence to what we have been or what we are now.

It seems clear now that the new and large fields of research and development work in the academic, industry and government spheres are taking on some of our own attributes. They are beginning to look toward simple institutional support because continuity of work so requires, and we are looking toward other media of support for kinds of inquiries that cannot best be done by the institutional procedures that have served us so well in the past.

There have been and there now are stresses upon agricultural science in its relations with other activities in the universities and in every other part of the science community. Yet there also have been, at least in some institutions, effective adjustments to these strains. There have been pressures and abrasions in the old and fruitful partnership of universities and national government. Some of these strictures seem

(more)



most sharply to have shown themselves in recent years. Yet, without platitude or blindness, we can in truth say we have done rather well in keeping the structure of a tested system, and yet adapting it to a new and greatly different operational context.

Perhaps we can best see what has been done -- and what remains to be done -- by regard to a time so brief as the last five years.

Now we -- the States and the USDA -- do know what we are doing. We can determine quantitatively and with substantial precision the activities associated with each element of each mission. To a lesser degree of precision, we know the allocations made by other universities, Federal agencies and industry. We have finished broadly specified projections for each of 91 major areas of inquiry both for 1972 and 1977. These projections have been based upon quantitatively-specified criteria of priorities formulated objectively by many people from many agencies, disciplines and operational interests. We have found means to identify the budget, programming, personnel and organizational procedures required to achieve our projections.

We on the Federal side have been able to make fruitful use of our long-range study in developing and in keeping balance in our 1968 budgets, despite the overall stringencies now prevailing. Quantitative activity analyses are underway for actual 1967 operations and for those being planned by the Experiment Stations and the Federal Department for 1968. We are well down the way towards an operational storage and retrieval system that will be fully compatible with the national net.

(more)

- 8 -

There is promise that we can develop standard packages, media and digital language such that identity or compatibility of sub-systems may be gotten with no severe constraints. This is no mere instrument of management. It can in fact open to scientific method a great variety of questions which until now could not even be identified or answered.

### What We Are Doing

We are now working together to design some seventeen systems of research in packages that outline missions; representation of goals; unanswered but necessary questions related to goals; and allocation of such questions among agencies upon agreed criteria. Some missions -- like genetics, virology, weather modification, remote sensing -- are promising of imminent breakthroughs. Others, like nutrition, must be expanded because so much remains to be done. Still others -- for example soybean yields or swine and dairy industry analyses -- should be formulated because urgent practical questions must be answered.

It is clear now that structure for administration cannot parallel organization for missions. It is also clear that really to develop meaningful relation of mission operations to mission research, new forms of interagency, interdiscipline, and interstate collaboration must be found.

There is clear need that programs for buildings, facilities, equipment and other support activities also be determined simultaneously with those for research activities and within the same process. Such programs sharply constrain that which can or should be done in research operations. Accordingly, operating and construction programs must be fully consistent.

(more)



Yet, now we can both identify and evaluate all of our activities. We can tie our research allocations directly into program evaluation and planning operations, and for the first time as an integral part. We should soon be able to include construction as part of this fabric.

This kind of coordination is now possible and before long will be required at all levels of mission research. Perhaps it will be extended ultimately to formal systems at the international level. Yet program planning need not in any measure impair either the basic work of individuals or groups here, or special relationships that may develop among nations. So we now recognize that coordinated activity is not merely an instrument to enhance efficiency or research performance. Far more important, it specifies science as systems of inquiry and not as separate and self-contained bodies of specialized knowledge.

The programming work of the past few years will heighten the efficiency of our work. It will prove to be a fruitful research instrument in its own right, greatly extending our capacity to ask and answer questions. And it will break down the parochialism of separate disciplines and shift emphasis to methodologies common to all fields.

Almost surely there will be, and perhaps should be, increasing Congressional and Executive oversight, coordination and integration of the total Federal-State research and development effort. Yet already there seems to be developing in all components of the Federal-State agencies a kind of relationship that almost certainly will yield the requisite coordination without doing violence to the independent inquiry of individuals. Almost certainly, there will also be a greater coordination within, between and among all agencies -- State, Federal or private.

(more)

For goal-oriented work, it is even now fully possible to avoid doing again that which already has been done, and also to assure that questions necessary to goal-achievement are in fact engaged.

Again, mission-oriented work need be no less elegant or complex or lower in virtuosity than the kind of work that is generally called basic. Somehow, I personally see little work that is totally devoid of pragmatic purpose. Perhaps basic work really is that which involves broad latitude in following curiosity -- and if that be true, then the difference between basic and mission work is so diffused that differential status or treatment really may not be meaningful.

All of us know that there is much aesthetic component in the most rigorously amoral research inquiries. There is art in those who can find and properly structure an answerable and pragmatically or methodologically relevant question. There is art in finding or using means whereby questions may be answered with acceptable levels of confidence. There is a different art in using the answers in order to attain goals with optimal or at least acceptable efficiency.

There is also much art in fully identified and consistent systems of questions, hypotheses and tests. The range of questions thus opened to inquiry, the methodologies that are applicable, and the use of findings are often greatly different from what they would be if the questions and methods were separate and fragmented.

It seems to me that two compulsions push us to use the systems research methods now operationally available to us. We should be able to understand better the relationships with which we work. And on a lower -- but not irrelevant -- level, efficiency criteria in the use of

(more)

research resources will be applied to us along with others. Again, I see nothing unrespectable in using the findings of research to serve the value of men. I see nothing undesirable in using those findings to mold the future as well as to adjust to its exigencies.

We need no czar, no high-level brokers of the board, no binding or authoritarian command structure at any level in order to do that which we need to do. Any of these would almost surely emasculate, perhaps even destroy us. We certainly cannot, and should not even try, to structure administration either to parallel our missions or our research systems.

We can, I am sure, do very well -- given competence and goodwill -- with the superficially loose, fragmented and generally untidy relationships that we now have. All of us at all levels of research or management need quantitative activity analyses and inventories. We all need criteria or equilibration processes for appraisal and perhaps re-allocation of our work.

We all want to optimize mission achievement; to keep our field and our nation in the fore of science; and to give opportunity to individual scientists to go where their ideas and their skills may take them. We know, or at least I know, that there is very limited capacity at any administrative level for binding command or even for meaningful coordination from above of the activities of individual scientists.

In the Federal-State system there are emerging a set of machinery; and a set of attitudes that simultaneously can provide both autonomy of individual and agencies along with adequate coordination of their activities.

It does not look so pretty on paper as does a straight command, and yet it works -- which is more than can be said for straight command in science. We cannot schedule our discoveries, as some audit agencies have

(more)



said we should do. We can't put the scientist on the same status as a factory worker on a repetitive task, not because the workers are necessarily different, but because the tasks surely are different. I see no evidence that many people in the Executive or Legislative branches really want to do this. I do see evidence that, given adequate and competent staff, we can get the coordination and the efficiency that quite properly will be required of us.

Personally, I see little necessity to consider structural changes in our still-evolving relationships and processes of financial support. Reasonable coordination -- in all directions and dimensions -- of institutional, in-house, contract and grant activities seem to provide ample latitude for effective service of our goals. Other research agencies are drifting towards the structure we have used in different ways over many decades. As a matter of fact, USDA-State Agricultural Experiment Stations relationship was rated highest by grantors -- and in all attributes including cost sharing; commitment to relevance, quality and productivity; and integration of research with education and extension. The in-house and contract or grant work of USDA is closely tied to land-grant universities, although there are still unresolved and sometimes warm controversies with respect to location.

In sum, we function better in doing today's work and in gearing for tomorrow than our surface appearance shows. Two-thirds of our work directly serves a massive, diverse and complex battery of many missions, sub-missions, and elements. The processes of formulating goals, providing alternative means to achieve goals by way of research, and actually operating programs are quite inseparable. Yet this basic compulsion

(more)



toward fragmentation of research is now limited by interrelatedness of goals, research activities and program operations and also by the requirement to optimize allocation of research resources in terms of mission. I personally suspect that the hallowed project system -- some 13,000 in State Agricultural Experiment Stations and some 3,500 in USDA -- will not forever be a major tool in getting the systems coordination we seek without constricting present paths of inquiry. But I know also that we can in fact manage our work efficiently with the information networks now developing.

#### The Needs Ahead

We do need to find means to operate as well as to design the systems work that is now emerging. There are, and long have been, excellent package or systems activities at many USDA stations. These, however, seem to depend mainly upon personal contact. If we are to be in the mainstream, we must seek ways to broaden these systems, and to apply them to questions the resolution of which can mean major breakthrough of methodology or major contribution to mission. We are doing this -- but perhaps too slowly and too narrowly.

The agriculture-forestry mission is still overwhelmingly our primary goal. Within the Department, except for the Economic Research Service, there has been little shifting of activity to missions involving people, communities or foreign assistance. There has been no major adjustment to these new missions by State Agricultural Experiment Stations. Yet all of these are national commitments, and we cannot efficiently or even at all achieve them except by research. Somehow we must learn to apply to these new goals the same techniques and procedures that have functioned well for older missions.

(more)

The mission assigned us in making rural America a better place to live is now a firm national commitment for all of us. We cannot do it alone. I am hopeful that advice of the Directors will be asked and used. This is equally true of our equally formidable commitment to help other nations make their own lands better places in which to live.

There are ten recommendations for joint action in the long-range study.

First, in the past we have submitted and have solicited your support of a bill to authorize an Assistant Secretary for Science and Education.

We and you together are already starting joint planning in seventeen areas. We should get together to plan for other areas.

Third, we and you together have the current research inventory system well along towards operational status. We shall soon have good current data, and we are hopeful that the reporting burden will be lessened.

Fourth, we are seeking means to meet the goals of supporting and building excellence in our universities. We can, I believe, meet these goals without changing our institutional system or weakening our ties with the land-grant schools.

The fifth recommendation -- to increase concentration and specialization at certain locations -- is a primary purpose in our package planning. It is a difficult matter and we have not yet really resolved it.

Sixth -- to tie more firmly the extension function to research and education -- there is underway a Federal-State-public group beginning a study similar to that just done for research.

(more)

We also concur with the seventh recommendation that regional or national laboratories should be planned jointly, and this of course should be done in the package or systems planning teams. It should also be a two-way street. We have many people in University facilities now, and we are grateful. We should seek ways to keep this relationship a two-way street also.

I believe that the eighth recommendation -- joint structuring, planning and functioning of advisory committees -- is a clear necessity. I suggest we sit down together and find a way to do this.

Ninth, I doubt that presently we know on any global basis how to allocate aggregate investments by State Agricultural Experiment Stations or USDA. I would suppose that in the short-run the allocation of funds would largely be determined by allocation of program responsibilities. I think we should explore the matter as soon as possible.

Finally, for the tenth recommendation we concur wholly in seeking means to tie research and operating-mission programs together.

The relationship of our work, new or old, to higher education and to extension activity should not really be changed. Yet the same harsh adjustment to new missions and methodologies is an explicit necessity.

I would like to see us develop the overall capacity for design, for research and for development that appear in parts of the space, energy and weather research agencies. I think it can and should be done -- if it is not done we shall shrink and perhaps one day disappear.

To do this at all, all of us would have to do it together. It cannot be done otherwise. It is worth starting even if we do not see it finished. A French trade mission said to me that France and the United States were

(more)



like two strong people long locked in fruitful matrimony who on occasion were afflicted with differences of goals, or with constraints sufficient to bend but never to break the fruitful ties. This is not a bad description of us. Our goals are much the same, and they are changing in much the same way. Our skills are certainly complementary and they too remain complementary as they broaden.

I think we should expect occasional connubial discord, and if possible we should adjust in good humor. I do think we should stay married.

\*\*\*\*\*



OCT 3 1966

C & R-ASF

280.39  
m472  
cop. 2

AGRICULTURE'S CHALLENGE: TODAY AND TOMORROW

Your invitation to address this Conference of Nutrition and World Technology on the World Food Shortage gives me much pleasure. It also creates a strong temptation to prognosticate.

I shall relish the pleasure. I shall resist the temptation.

There are pitfalls in telling people how things are going to be, or how they ought to be. There is one very good reason not to prognosticate. The would-be seer, of today perhaps more than in any previous generation, lays himself open to the possibility of being outrageously wrong. What responsible and competent man of even a few years ago would have forecast accurately the world of today?

As President Truman said recently, some of our old allies sometimes act as if they were our enemies; some of our old enemies are now our friends.

England, one of the victors in World War II, has had economic trouble. Japan and Germany, the vanquished, have enjoyed intermittent economic booms.

Just a few years ago the atomic age, the rocket era, space exploration, the computer were all unknown.

So was the Age of Abundance. Our U. S. gross national product this year -- in constant dollars -- is roughly double that of 17 years ago.

---

Address by Assistant Secretary of Agriculture George L. Mehren at the Conference of Nutrition and Food Technology on the World Food Shortage, Chicago, Ill., Sept. 19, 1966, 11:00 a.m.

---

A farmer produces as much in two hours of work today as he did in five hours 15 years ago.

One farm worker, on the average, supplied food and fiber for 15 persons in 1950. Today he supplies food and fiber for 37.

We have had many years of adaptation to domestic grain surpluses. Now, in general, the surpluses are gone. Wheat and feed grain supplies are down to reasonable reserve levels and are going lower this year.

What does it all mean?

Have we come to the end of the line in our ability to provide large-scale food shipments to food-short nations?

Must exports from now on be cut back to maintain adequate supplies for our own domestic needs?

Should we take off the brakes on agricultural production and encourage farmers to produce all-out as they did during World War II and in the postwar period?

Are farm commodity programs obsolete?

Back of these questions is another and far more fundamental one: Can the world of the future feed itself?

What is agriculture's challenge in the context of the modern world? What is the challenge to U. S. agriculture? What is the challenge to world agriculture?

These questions must be discussed and resolved. Accordingly, I shall tell you the views of our people in USDA about the needs of the present and the challenges, opportunities, and potential of the future.

(more)

United States Food Situation

First is the question of U. S. supplies.

In the United States, since mid-1965 grain surpluses have been gradually scaled down. Carryover stocks now will fall temporarily below desirable reserves. Moreover, it is apparent that milk production this year will be from 3 to 4 percent less than the 1961-65 average.

The surpluses of grains and dairy products are gone. We still have large reserves. Surpluses have not been replaced by shortages.

There is no shortage.

The carryover of wheat on July 1 -- about 535 million bushels -- is still slightly more than a full year's domestic food use (about 525 million bushels). That reserve would take care of two-thirds of a year's U. S. food use, plus commercial exports.

During the 1966-67 marketing year, however, the carryover will be further reduced. Our 1966 wheat crop is now estimated at 1.3 billion bushels, or some 2 percent below 1965. So, we could export about 760 million bushels in fiscal 1966 and come out with a carryover next July of about 400 million bushels.

Our own wheat crop this year is a little below the high-level crop of 1965. In the aggregate, it appears that world wheat production is likely to set a new record.

The U. S. national allotment for wheat production in 1967 has been raised by almost one-third -- to 68.2 million acres. With normal weather, this would yield an all-time record crop of about 1.6 billion bushels next year. In that event, the 1968 carryover would be about 600 million bushels.

(more)



We have a national carryover of feed grains (corn, oats, barley, and sorghum of 47 million tons. That amount is a little higher than our reserve target of 45 million tons. It is adequate to meet all our domestic, commercial, export, and concessional needs for the year ahead.

This also is true of rice. The estimated carryover of 270,000 tons of milled rice is the highest in recent years.

As for dairy production, price supports for manufacturing grade milk have been raised. This plus higher market prices may bring an upturn in production later this year.

With respect to grains, we are reaching a goal that has been sought for some four decades. Farmers now can produce largely for a lively, active, and growing market. The depressing effects of farm surpluses have been greatly mitigated.

Back in 1961 we hoped and planned and started to work in order that surpluses might be cut back to adequate reserve levels by 1968. We are reaching our goal a good two years ahead of schedule.

This is healthy. It is not something to fear or to bemoan. We have no need now to build up or to sustain heavy and chronic surpluses. We do need -- and we have -- adequate reserves. We do not need surpluses.

As markets have grown and surpluses have dwindled, the national farm income situation is about the best that U. S. farmers have ever enjoyed. Between 1961 and 1965 realized annual net farm income climbed by \$2.5 billion. In this year of 1966, net farm income is rising by another \$1.5 billion. All told, net returns to our farmers have gone up by more than one-third since 1960.

(more)



There is still substantial disparity in comparison with other sectors of the economy. But we begin to see good possibility that equality of returns for similar work, investment and enterprise, may soon be realized.

Net income per farm this year will average about \$4,785. Net income per farm was \$2,956 in 1960. Net income per farm in this nation has gone up nearly two-thirds in five short years -- and it is fortunate for the interests of the Nation that this has been achieved.

Generally, there is a much broader commercial market open to farmers. The influence of the commercial market on agricultural production processing, distribution and income is substantially greater than in many years.

This, too, has been one of our goals. There is no need and no desire for government to be in agriculture simply to be there. Government has been, and should be, in agriculture only to the extent required to help farmers achieve parity of income and provide adequate and healthful diets for the consumer. It is gratifying that market influences increasingly function to guide production -- and that the interests of our producers are beneficially affected by the market conditions prevailing today.

Yet we know full well that commodity programs are still needed, however. We know also that the agricultural scene can change with amazing rapidity. The demands of 1968 and 1969 upon American agriculture may be quite different from those of 1966 and 1967.

(more)

Fortunately, we now have the most effective farm program legislation that has ever been enacted in this country. The Food and Agriculture Act of 1965 provides much-needed flexibility. It sets up machinery simultaneously to achieve selective increases or decreases in the output of major farm commodities. Currently, we need more wheat, rice, soybeans, and dairy products. We need less cotton and tobacco. The events of the next year or so will determine whether the Act of 1965 offers enough flexibility. We are optimistic that it does.

It is well to emphasize again that the United States does not have a food supply problem. We have plenty for use here at home and plenty to supply our cash customers abroad. In addition we will be able to continue our overseas aid program at a still-generous, even if prudently-adjusted, level.

#### The World Food Situation

The greatest challenge the world is likely to face in the last one-third of the 20th century is to produce enough food for a growing population.

In 1900, world population was estimated at about 1.6 billion. Since then, largely due to disease control, world population has doubled and is now estimated at well over 3 billion. If current trends persist, another billion could be added within a fairly short time.

Most of the population growth is occurring in the food-short developing countries of Asia, Africa, and Latin America. It is estimated that by 1970, 2.5 billion people will live in the less-developed countries.

(more)

About 800 million, nearly one-third, will be in Communist Asia. Nearly 600 million, almost one-fourth, will be in India.

World food production since the late 1930's has increased at an average compound rate of about 2 percent a year. This has been a somewhat faster rate than the growth of world population.

Per capita food production rose even in the less-developed countries. The net gain, however, was only about one-third of 1 percent per year -- or about 8 percent for the entire period.

Since 1954 the less-developed regions, excluding Mainland China, have continued to forge ahead slowly in per capita food production. The Far East showed a considerable increase during the latter part of the 1950's, but little or no progress since. Per capita food production in Latin America has also risen substantially. In Africa and the Middle East, food output has advanced at about the same rate as population.

Why, then, is there so much anxiety over the world food situation? One reason is that increased per capita demand has made food consumption in the less-developed countries rise faster than production.

In India, for example, prior to the 1965 drought, food production rose faster than population. Between 1948 and 1962, the annual compound rate of increase in India's crop output averaged 3.1 percent. But per capita income at constant prices rose about 20 percent in the past decade. While still very low, this larger income led to a significant increase in per capita demand for food. The pressure on food supplies was further intensified by an expansion of the urban population and a decline in the movement of grain from rural areas to market centers.

(more)



To meet the demands of a larger population -- and a population with rising expectations -- India and the less-developed countries in general have become importers, instead of exporters, of grain. In 1934-38 the excess of grain exports over imports in the less-developed regions averaged 11 million metric tons annually. By 1948-52 they had net imports of about 4 million metric tons. In 1957-59 net grain imports had reached 13 million tons. In the year 1964-65, the net grain imports of these regions totaled 25.1 million. Communist Asia imported 5.4 million tons; India 6.5 million; and the other less-developed nations about 13.2 million metric tons.

The increased demands of the emerging nations -- and recent agricultural setbacks in the Communist countries -- have been principally responsible for two significant developments:

The first is the change in status of North America from a moderate grain exporter to near-dominance as the world's grain merchant.

The U. S. and Canada exported 5 million metric tons of grain, net, in 1934-38. They are exporting twelve times as much -- 60 million tons -- this year. No single region has ever before so provided so much of the world grain trade.

The second development is a sharp reduction in world carryover supplies of wheat and rice.

World wheat exports rose from 23.9 million tons in fiscal 1954 to 61.2 million tons in fiscal 1966. Meantime, carryover stocks of wheat in the major exporting countries had gone from 31.7 million metric tons in 1953 to a burdensome and price-depressing total of 58.8 million in 1961. Carryover stocks are estimated at 30.9 million metric tons this year. They may fall to about 25.2 million next year.

(more)



World carryover of rice has dropped even more steeply. In 1955, rice carryover in major exporting countries was 1.8 million metric tons. In 1965 it was less than 300,000 tons.

Many factors were responsible. The struggle in Vietnam changed that country from a rice exporter to an importer. There have been declining exports from Burma. Japan and the Philippines were once almost self-sufficient in rice. Now they import large quantities. India, Pakistan, and Indonesia all have inadequate rice supplies.

Widespread want and relative economic stagnation are a clear threat to economic and political stability of the world. New methods of communication -- and transportation -- have shrunk the world. Those who have little can look over the shoulders of those who have much. And those who have little want to earn their place at the table of plenty.

There has been slowly-increasing per capita production over the years. Imports have risen rapidly although they are still only a small fraction of total supplies in the less-developed countries. Yet, average diets in these countries are far inferior to those in developed regions. Diets in the emerging nations average some 300 calories below minimum standards for adequate nutrition. They are also deficient in protein.

World Bank data class the nations of the world into four groups -- rich, middle income, poor, and very poor. Among the 27 rich countries of the world -- where average per capita income is \$750 or more per year-- there has been only one major internal upheaval since 1958. Among the 38 very poor nations -- with average per capita incomes of \$100 or less

(more)

a year, 32 have experienced significant outbreaks since 1958. In fact, they have averaged two major outbreaks per country over that period.

If the economic growth of the developing nations can be speeded up, the bases for general world peace and security will be fortified. Improved food supplies based upon more productive agriculture is a requisite to economic development in most of the world.

The United States has honest and proven humanitarian interest in helping others to live in decency and dignity and pride. It is also to our interest that peace and stability prevail in this world.

#### The Next Few Years

As we said earlier, the net grain imports of the less-developed countries, including Communist China, totaled about 25 million metric tons in the year 1964-65. This year they will be well above 30 million tons. The question is what will they be in 1970 and in 1980?

Can these needs be met? There is no question that the needs of the free world in those years can be met.

U. S. farmers this year diverted 61.5 million acres from crop production under government programs. Over 46 million acres were in one-year contracts, such as the feed grain, wheat, and cotton diversion programs. An additional 15 million acres are signed up for longer periods under the Conservation Reserve, Cropland Adjustment, and the Cropland Conversion Programs.

With the increase in 1967 wheat acreage allotments, cooperators in farm programs can bring about 16.6 million more acres into wheat production in 1967. About 30 million other acres now under annual

(more)

diversion programs could also be available for production in 1967 and after. In addition, about 13 million acres now under Conservation Reserve Program contracts will be released by 1970 -- though much of this has been converted to permanent grassland, woodland, or other non-crop uses.

So, obviously, we can add to our land-base of production. And yet, again obviously, there is no need to bring all of our available acres back into production over the next few years. To undertake any crash expansion could result again in huge surpluses, high farm program costs, and a threat to development of our land resources. We can expand grain acreage as needed without these hazards.

It would be ill-advised -- and we do not intend -- simply to fill the food aid needs of the developing nations. To do so would be to function in the manner of a permanent relief agency. Relief aid is respectable and worthy, but it is not necessarily a contribution to development.

President Johnson has said that our new food program will "take into account efforts of friendly countries to help themselves toward a greater degree of self-reliance."

A major emphasis of the new program is self-help -- aiding the food-short nations to develop their own agriculture in order adequately to feed themselves. But, while they are striving to grow what they need, we will provide food and other assistance. Secretary Freeman has pointed out that this will be a massive job.

(more)



The Long-Run

The life or death question in the long-run is whether the world can win the War Against Hunger? Can it eliminate widespread malnutrition? Can it enter an Era of Plenty?

Sometimes, some of the answers given to these questions seem completely inconsistent. And yet, there is general agreement on the basic determinants of world food supply.

World population could reach 4.5 billion to 5 billion within two decades, or less. Some four-fifths of the additional people will be concentrated in the developing countries. These people will not be satisfied indefinitely with diets that are short, both in calories and in proteins.

Adequate diets in terms of calories could be achieved in less than two decades if within these countries grain production were to increase henceforth by 1 percent per person per year. If adequate protein could also be built into diets over these same years, there would be victory in the War on Hunger in the emerging nations.

It can be done, and if some changes are made, it will be done. Yet, President Johnson has warned that if some present trends continue unchanged, then conceivably the time could come -- perhaps in our own lifetime -- when the world would literally run out of food.

But changes can and must be made. This is what we seek to do through the new food program that President Johnson has formulated. Over the next 15 to 20 years, we must help the diet-deficient regions as a whole increase their food output faster than they have been doing. The rapid progress of Israel, Mexico, Taiwan, and a number of other nations in recent years shows it can be done.

(more)



It can be done. In 1942 the average wheat yield in Mexico was only 11 bushels per acre. Mexico was importing half of its wheat. By 1964, the average yield was 39 bushels -- total wheat output was up 6½ times and Mexico was a wheat exporter.

In Mexico there was a balanced total program that increased soil fertility, suppressed pests and disease, and availed of irrigation and improved varieties. Equally important, the farmers had incentives. Farm prices were supported. Farmers and others interested in farming were shown that increased income would come from increased investments. In the main, growth took place in newer areas and not in the old areas which might have been more difficult to change. Modern technology was one of the key ingredients. It was mobilized for use, and there was incentive to use it.

Technology and research, including mechanization, electrification, improved plants and livestock, better feeding and breeding practices, conservation and the use of chemicals, have pushed production levels in some developed countries -- notably the United States -- to fantastic levels.

That there is great disparity in the mobilization of known technology is clear. In India and China one agricultural worker still produces less than enough for himself and only two or three others. This can be changed. It must be changed.

But we know that it cannot be done simply by transferring our know-how, lock, stock, and barrel, to the developing countries.

(more)

Dr. Nyle C. Brady of Cornell and formerly Director of Science and Education at USDA points out that we tried this, without real adaptation in the first stages, in the Philippines in 1952. We thought we knew how to apply fertilizer for rice, but in some cases we succeeded only in wasting it. We applied the fertilizer at planting and merely produced taller rice plants with little, if any, bigger yields. The fertilizer did help the weeds, however. It took only a little adaptation to show that the time to apply the fertilizer was when the rice plant was in the "boot" stage.

Similarly we cannot expect developing countries without adaptation to take over our U. S. type of mechanized technology -- such as our big machines, our mass production techniques. Japan, with its small farms and dependence on rice, may be a much more useful prototype to follow.

Another part of our food assistance program involves efforts to develop new sources of protein foods.

Protein deficiency is especially serious for children, for the sick, and for pregnant and nursing women. It is generally agreed now that severe and sustained malnutrition of children irreparably impairs both physical and intellectual capacity.

Underdeveloped nations cannot now afford to get their protein from animal sources. So, we are seeking to convert vegetable proteins-- such as soybean flour or cottonseed -- into tasty food mixtures that will provide nutritionally adequate diets at low cost. And we are seeking other ways to supplement the protein in grains and seeds.

(more)

As example, a hand-process for making soybean flour enables people in remote villages to produce this 40 percent protein flour and with it to bolster beverages and gruels being fed infants and children.

We are fermenting cereals and soybeans to make foods that resemble tempeh, a cake-like dietary staple of Indonesians, heretofore made entirely from soybeans. We're peeling wheat kernels to make them more appealing to Asia's rice-eating millions.

Bran and middlings -- two byproducts of flour milling up to now fed mainly to livestock -- can now be used for a nourishing flour richer in protein and vitamins than regular white flour. It seems to go well in soups, gruels, pasta products, bread, and baby foods.

Earlier this year Secretary Freeman named a distinguished scientist, Dr. Aaron M. Altschul, to interest private industry in producing protein foods for developing countries.

Sharing of know-how and capital investment now planned in the developing nations is increasing. There is growing realization that enhanced agricultural capacity is crucial to development. We need to mobilize known technology; to apply the science that we know already; to use the stock, the chemicals, the equipment appropriate to each country; and to provide incentive for their people.

It is also reasonable to expect and to hope that countries besides the United States will increase their own contributions to the development of poorer people. All but about 2 percent of the food-aid supplied during the past decade has been provided by the United States. During 1966, over 11 million tons of food grains -- mostly wheat -- have been or will be sent to India from countries offering food aid. Of this total, the United States is supplying all but 2 or 3 million tons.

(more)



Other nations are in general less able to provide food aid. Yet other nations can and should in their own interest make other useful contributions to development. And some indeed do.

If it becomes necessary to avert famine, the United States could-- and certainly would -- bring into crop production far more than 50 million acres. There is a backlog of technology, derived from research, that could immensely increase our national output.

Effective use of fertilizer is one example. Hybrid wheat, with extremely high yields, may be only a few years away. Breakthroughs in soybean yields and new high protein corn may be near. There are many others.

The United States does not seek to close the world food gap by its own efforts -- nor could it. There is no present need to call on American agriculture to produce all-out.

We are generally free of surpluses. We have adequate supply and more-than-adequate capacity. We know the dimensions of present and likely future food needs in the world. This nation has carried much of the aid given in past decades. We hope now to help other nations increase their own capacity to meet their own needs.

Victory over hunger can be won.

The race is not really one between population and food supply. It is really a race between what could be done and what will be done.



A280.39  
M472

AGRICULTURE'S NEW DIRECTION: THE MARKETING CHALLENGE

The story of this half of the twentieth century can be expressed in one word: CHANGE.

In the world of 50 years ago -- or even 25 -- economists, businessmen, statesmen, could see CHANGE looming on the horizon, signalling its approach like thunder in the distance. CHANGE came, but it came relatively slowly, now on this front, now on that, usually in widely separated areas.

Even when they were caught napping people said, "We should have been ready. The signs were plain to see."

Today CHANGE is a flood. It sweeps in like a tidal wave, charging down on us from every quarter simultaneously. Sometimes it seems to be irresistible. It is exciting, exhilarating -- and very, very challenging.

We are prone to measure CHANGE in terms of spectaculars, such as the atomic revolution which has unleashed an entirely new form of energy so that a small amount of nuclear fuel can power a ship around the world some 15 times.

Or we measure it in terms of the speed revolution. A quarter century ago man had never traveled faster than 500 miles an hour. Now astronauts circle the earth at 18,000 miles per hour.

---

Address by Assistant Secretary of Agriculture George L. Mehren at the 7th Annual Farmmarketing Seminar of the National Agricultural Advertising and Marketing Association, Chicago, Illinois, April 5, 1966, 9:30 a.m., CST

---

We measure it also in terms of space exploration. Twenty-five years ago man-made objects had never departed from the earth more than 60 or 70 miles. Now spacecraft reach and land on the moon, and man himself expects to trod the surface of the moon before 1970.

But CHANGE has other aspects, less spectacular but even more meaningful in terms of daily living.

Let me cite a few indicators.

Our Gross National Product this year -- in terms of constant dollars -- will roughly double that of 15 years ago. The scope of this achievement may escape comprehension -- so let me put it a different way.

So great is the yearly growth in U.S. output that it exceeds the entire national production of most other countries in the world -- in fact, only seven other countries produce more in a year than we increase production in that same year.

At our present rate of growth a trillion dollar GNP is only seven years ahead of us.

Scientific knowledge is expanding even faster -- doubling every decade. No one today is an expert in any whole field of knowledge. People are expert only in segments of segments of fields of knowledge.

We have drugs -- the medical profession tells us, not completely tongue in cheek -- for which we've not yet discovered diseases. We've developed hundreds of gadgets and we're producing varieties of economic goods that we still don't know how to use to the best advantage -- and perhaps food might

(more)

USDA 1015-66

be cited as a case in point.

Just last week I read in the newspaper that out of our space research program has come improved products ranging from better paints and heat resistant plastics to Teflon, space glover, long-lasting ball bearings, a better vacuum cleaner. NASA expects, the article says, to prove out between 125 and 150 varieties of heat-resistant plastics during the next two years.

The whole economy has taken off in a new and in some ways a difficult direction -- and the destination is ABUNDANCE. Somehow, it is not always easy to learn how to live with full employment and rising wealth.

CHANGE has given agriculture a new direction also -- with abundance as the end result, and perhaps with some of its problems.

Whereas one out of four of our people lived on a farm 30 years ago, and one out of seven lived there 15 years ago, only one out of 16 is on a farm today -- yet consumers are offered an immense array of food and fiber products at the lowest real cost in history. This is largely because a farmer who produced food and fiber for 15 persons in 1950 and for 26 in 1960 produces for 35 today.

There is also a new and happy direction in income -- up! Net income per farm -- now close to \$4,200 -- has risen over 40 percent since 1960. Equality of income opportunity for operators of efficient family-sized farms has become a realistic possibility before 1970. This has been our goal, and now we see ways of reaching it.



New crops are in the picture -- perhaps one of the most spectacular being recreation. In the past 5 years the USDA has helped over 30,000 farmers establish recreation on their farms as an income-producing enterprise. On roughly 3,000 farms recreation is now the major and primary source of income.

A new approach of farming as part of an overall revival of rural America is another phase of agriculture's new direction. Whereas we used to think of strengthening and improving the family farm as an end in itself, we now view it in terms of a rural renaissance, in the interest of all of our people in all of the nation.

The farm program legislation of the past 5 years, culminating in the Food and Agriculture Act of 1965, has made available to our agriculture a remarkable and revolutionary flexibility. Now we can, and fairly rapidly, adjust production of several major crops as need require -- using diversion programs to avert sharp declines in farm income or incentives to increase output to meet domestic requirements or to ease food shortages abroad. If the need arose, for example, we could quite quickly expand our wheat production.

The new direction in agriculture is clearly evident in the export picture. Agricultural exports this fiscal year are running a good two-fifths above the level of 6 years ago. One out of every four U.S. harvested acres now produces for foreign markets. And the value of our foreign shipments is equivalent to about one-sixth of total cash receipts from all U.S. farm marketings. The

(more)

USDA 1015-66



outlook is for further rises in exports -- perhaps as much as a 50 percent increase in the next 10 years.

Each of these -- and many other -- new directions in American agriculture could be explored at length. This morning, however, I wish to direct my remarks to two important changes that are now becoming acute in the agricultural picture.

The first is the world food crisis and its implications for American agriculture.

To some people, the food shortage, as dramatized by the drought-aggravated Indiana crisis, signalizes a call for all-out production -- the removal of all constraints and a vast spurt in the sale and use of fertilizers, farm machinery, and production equipment and supplies of all kinds.

Regardless of how attractive this picture might be and of how often and in what glowing colors it may be portrayed, this is not the new direction in which American agriculture is able to travel.

The answer to the world's food problems is not, and never has been, to load enormous quantities of American food and feed on tankers or supertankers, speed it across the oceans and dump it on the docks of needy countries.

That hunger exists is a fact and that we in the United States can do much to alleviate that hunger is also a fact. But American food can ease hunger in India and other nations only in accordance with our acceptance of and ability to deal with the hard facts of distribution and use.

Here are the basic facts of the situation.

1. There are no food shortages in this country. We have no export commitments, either for dollars or under food aid programs, that we cannot fill.

2. There are increased demands for some commodities -- and we have acted promptly to see that they are met. We need expanded 1966 production of wheat, rice, soybeans, and milk. Accordingly, we have

- (a) Increased the national 1966 rice acreage allotment by 10 percent.
- (b) Encouraged wheat growers -- particularly spring wheat growers -- to plant their full allotments rather than take some of that acreage out of production.
- (c) Informed farmers cooperating in the Feed Grains Program that they may plant soybeans on feed grains acres and remain eligible for the feed grains price support payment.
- (d) Increased soybean supports to \$2.50 a bushel, nearer the average market price in 1965 of about \$2.60.
- (e) Increase the support level for milk, and provided a small temporary boost in minimum prices farmers receive for drinking milk in Federal Milk Market orders.

(more)

USDA 1015-66

3. Except for soybeans there is no need for greater production of any livestock feed this year.

4. The 1966 production and price support programs for wheat, rice, feed grains, and cotton are firm as they stand right now. There will be no further changes in program provisions related to those commodities -- those now in effect have been carefully tailored to respond to food and fiber needs.

As Secretary Freeman said recently, "We care for those who suffer. So there is among us a very natural impulse to immediately engage our total productive plant in the alleviation of hunger with a massive, uninhibited, world food distribution program.

"Yet, unless our compassion is enriched with common sense, we could speed rather than prevent the day of famine reckoning.

"We must guard against doing more harm than good, at home and away, with our great food production capacity."

To sum up, it's food grains -- wheat and rice especially -- that the needy people require. Not corn. Their agricultural and food economy, unlike ours, is not based on the conversion of grain into meat, it's too expensive.

For us, on the other hand, feed grains are vital. They are basic to meats, milk, and eggs we build our diets around. But they must be in balance. When feed grain surpluses get out of hand, nearly all of American agriculture suffers. We must not let that happen.

The second important change that is becoming acute -- and will become more so -- is the change in marketing.

Until recently, marketing received only secondary attention in both farm and academic circles because it was regarded as of secondary importance. Production was primary. Marketing was merely the link, the bridge, between producer and consumer.

Today there are those who say that production has become subsidiary to marketing. I would not go so far as that. But there is reason to believe that production and marketing are now in effect more or less equal partners in the economic process.

Certainly the day is long since gone when most farmers produced final consumer goods -- milk, eggs, poultry meat, fruits and vegetables -- and routinely placed them in the hands of the ultimate consumer.

The system for marketing food and fiber in this nation has set a marvelous record in many respects. Marketing today performs a remarkable battery of services. It sorts and processes and packages and inspects for wholesomeness and affixes grade or brand labels or both. It advertises and promotes and gives coupons, trading stamps, and sometimes the best dime-store pottery to boot.

It converts corn from an Iowa farm into breakfast cereal complete with freeze-dried fruit -- or it turns the grain into a host of industrial products. It takes wheat from Kansas and makes soft breakfast rolls for New Yorkers,



hard rolls for Berliners, or bulgur or flour for hungry peoples in Asia or Africa.

Yet the farmer of the fields and farmstead who in the past has been accustomed to turn a wary eye on the system and the people who sell him his supplies and who offer to buy his products finds his suspicions sometimes reawakened or reinforced by what he sees transpiring in the present.

Some of his long-established markets are shrinking or even disappearing. Producers of some products no longer sell in an open or traditional market to the highest bidder, but often deliver under specifications stating exactly what and how they shall produce, and where, when, and to whom they shall deliver the product -- and sometimes at a price to be determined on the basis of some formula. For many producers, this is a new and unsettling arrangement. For others, it is of help. For some, it reduces the scope of enterprise.

A major question at issue is how farmers can protect their bargaining and negotiating posture in this relatively new marketing system. In the long run, it is the question of whether the marketing system which is organizationally akin not to farm production but to the nonfarm world of industry and commerce will extend and impose that kind of a system upon the farming sector. If it were to do so, the attributes of the kind of farming which has existed in this nation as long as the nation itself has existed would be greatly diminished. In effect, many farmers would punch time clocks, ask longer paid vacations, and maneuver to climb the corporate ladder. A

tract of land might no longer be known as the Jones farm but tract number thirty-seven of the land division of Amalgamated Foods.

The apparent conflict between agrarian and commercial-industrial forces goes far to explain the interest and concern that led to establishing the National Commission on Food Marketing.

As you know, the Commission is charged with studying all phases of our food marketing system -- including such things as number and size of firms, the degree of concentration of business, and the extent of vertical integration. It has been asked to consider whether the goals of a good marketing system are being met -- to look not only into efficiency and services to consumers but also to consider whether the system maintains competitive alternatives for buyers and sellers and an acceptable distribution of power. And the Commission has been asked further to consider whether changes in statutes, policies, and regulatory activities of government would contribute to these ends.

The Commission is not hunting for scalps but it is searching for a design for a marketing system.

It is important to all of us to know what has happened, where change will take us, what kind of food industry is consistent with our national goals and what we should do to help achieve them.

That the changes occurring in the marketing system have been drastic is amply clear. The system as it now exists seems indeed to serve the

public well. That it will do so in the far future must also be assured. If there are to be changes in goals or policies, or in the means of serving present goals, such changes must be based on fact and not on allegation. And they must be tied to purpose -- their offsetting costs, if any, must be appraised -- and change must come by due process. This is a serious mission. Its achievement is meaningful to every American.

The Commission will report its findings and recommendations on June 30. But there is no reason to pass the buck entirely to the Commission. The responsibility for fact-finding and for policy-making lies not with any one group but with all of us.

Probably nothing is more characteristic of the modern marketing system than its insistence on standardized quality and its incapacity effectively to cope with the nonstandardization of some of the farm products supplied to it.

This is certainly a legitimate interest. In many cases it serves the convenience not only of the processor and the retailer but of the consumer. In other instances, however, it does not and sometimes at least cannot. For some perishable fruits and vegetables, the skin that handlers really love to touch may be the one that does not bruise easily. Egg shippers scorn the double-yolked egg because it won't fit into their cartons. The bane of polyethylene packaging is the single specimen that blemishes too soon and makes the entire bagful unattractive.

Yet consumers may not always prefer the tough-skinned fruit that ships so nicely. They might prefer tree-ripened fruit, hard to handle through market channels as it often is.



There is no question but that standardization does not always suit the producer. It's pretty hard to produce livestock, for example, in standard sizes and shapes. Lamb producers get impatient with discrimination against heavy lamb carcasses. They are confident the leg and chops from a heavy carcass is as tasty as from a light one. Yet retailers seem to turn up their nose at heavy lamb because heavy carcasses are not available at all seasons. Many retailers want to be able to handle products that are uniform week after week. They may therefore choose a particular grade and weight largely because they can expect to get it 52 weeks of the year.

We cannot and should not try to halt the process of change. But we are and should be concerned with where change might lead us.

We must be alert, lest the pressures of change force segments of agriculture into directions that none of us would want in the long-run. If the cattleman, for example, becomes a "cordwood" producer to the specifications of the market, overall short-run efficiency might be enhanced yet bargaining options might be reduced, and long-run efficiency might be impaired. We must carefully examine the effects of change on our decentralized marketing system, in which prices arrived at openly are the impersonal regulating force.

Farmers, naturally, are responding to the modern trends in marketing. Some responses are aggressive. Others are defensive.

Farm commodity groups are entering into promotion. Some groups promote sales on the domestic market. Others promote export sales abroad.

It may be that more effort should be made -- more resources employed -- in sizing up what kinds of promotion, and what products, offer most promise.

(more)

USDA 1015-66



Use of State marketing agreements may be a good way to carry out promotion and market development in domestic markets. For export trade, programs under Federal orders have been market-developing; some observers credit them with appreciable success.

Another kind of farm response to the complexities of modern marketing is both aggressive and defensive. Cooperative leaders, for instance, see the cooperative method as a way to meet the more discriminating needs of today's marketing system while defending the proprietary status of farmers.

Market orders for fluid milk, and orders and agreements for fresh fruits and vegetables and tree nuts, have proved valuable as a means by which producers can jointly achieve more orderly marketing. Where adapted, they have much to offer in the marketing system of the future.

Government is responding, too. The USDA and the State Departments of Agriculture are seeking to service and regulate the newer systems of marketing as they have done for the old.

Grade standards are being refined.

The category of services now called consumer protection has always been an important function of government. This is as certain as death, taxes, and the race to the moon. The reason lies in consumers' insistence on safety in foods. Moreover, producers find it necessary to respect the wishes of consumers, for their markets can be hurt seriously if consumers lose confidence in the wholesomeness or safety of any food. The responsibility for the

(more)

USDA 1015-66

total job of consumer protection is divided, at the Federal level, principally between the Departments of HEW and Agriculture. States also perform protective services.

Marketers, too, feel their responsibility. The ethical standards of what is good and bad in marketing were forged in the public conscience in relation to open market trading. Cornering the market, deception, and similar practices came to be classed as contrary to the public interest and therefore are proscribed. For some practices observed nowadays no comparable public ethic has yet been developed.

To the extent that the marketing system can provide and apply its own code of ethics for the restraint of harmful practices, the need for regulation from outside will be lessened as it has been in the past.

Not the least part of the marketing challenge is the challenge to economists to come up with the kind of enlightening and interpretive information, and of recommendations for both private and public marketing policy, that will help to make the marketing system for farm products a model of efficiency, equity, and progressiveness.

But the most profound question surrounding the marketing system is the one I raised earlier: How will it influence the make-up of the agriculture of the future? Will marketing envelop farm production, converting it wholly to a commercial and industrial form? Or will it become national policy to retain an agriculture that, while technologically advanced and highly commercial, yet also retains a significant agrarian content? Will the

farmer remain in major part a husbandman or will he shift entirely to a system directed by unseen corporate managers and made attractive by fringe benefits?

And if it be policy to hold to a middle ground, how can it be done?

The answers to these questions will determine the direction of agriculture in the future. The task of answering them wisely and effectively is the marketing challenge.

-----

USDA 1015-66

U. S. DEPT. OF AGRICULTURE  
NATIONAL AGRICULTURAL LIBRARY

MAY 20 1956

GENERAL RECORDS



280.39  
1472 Statement of George L. Mehren, Assistant Secretary, Marketing and Consumer Services, United States Department of Agriculture, before the Domestic Marketing and Consumer Relations Subcommittee of the House Agriculture Committee, April 4, 1966.  
p.2

---

Mr. Chairman, members of the Committee:

I am pleased to have this opportunity to appear before you today to present the Department's position on H.R. 11788, a bill to amend the Commodity Exchange Act.

This Act assigns to the USDA the responsibility to supervise trading on commodity futures markets and to protect those who do this trading or who are affected by it.

This delegation of responsibility reflects a long held belief that the public interest can be and is broadly affected by trading in commodities. That belief has not changed. If anything, it has grown over the years since the Act became law in 1922.

The amendments which are being proposed -- and which would be the first major updating of the Act since 1936 -- are framed in this same context. They seek to keep the Commodity Exchange Authority as an effective instrument to protect the public interest for the times we live in today.

The proposals contained in the amendments under consideration are designed to provide more workable tools to carry out the responsibilities of protecting the broad public interest without impairing the necessary and essential function of the various commodity exchanges. None of the amendments proposed are new or experimental tools of public regulation; all of them already have been employed by the Congress to protect the public interest as it relates to stocks and securities, drugs, food and fiber, transportation, gas and power, and anti-trust actions.

No one should misunderstand the purpose of the Department in supporting these proposals. The public interest is served not just by regulating the trading of futures in commodities, it is served by the contribution to the Nation's economy from the trading of commodity futures under reasonable and proper guidelines.

There are 14 major proposals under H.R. 11788 to amend the Commodity Exchange Act, together with a number of technical and procedural changes to clarify language or to eliminate some requirements no longer applicable.

If it pleases the Committee, I would like to briefly discuss each of the key amendments and then answer any and all questions you may have.

The bill would authorize the Secretary of Agriculture to establish under certain conditions the minimum margins which contract markets and futures commission merchants must require to be initially deposited and maintained by persons trading in the commodity futures markets. Minimum margin requirements for security transactions are established by the Board of Governors of the Federal Reserve System under authority of the Securities Exchange Act of 1934. However, no Federal agency can now set margins on commodity futures transactions. There is a difference between the purpose of margins in the security and commodity markets, and under ordinary circumstances the Government should not establish minimum margin requirements for commodity futures transactions. The exchanges now perform this function, and under normal conditions the exchange margin requirements are satisfactory. Certain situations can develop, and have, in which the Department feels that minimum margins should be above the normal levels. Excessive speculation in the futures market, for example, can seriously disrupt prices and marketing

to the detriment of producers, consumers, and users of the market. Control of a large percentage of the futures market by one individual creates the danger of price manipulation, and can lead to unwarranted or unreasonable sudden upward or downward changes in price, or otherwise restrain trade. Under these conditions, margins should be established to retard the buildup of positions or reduce them to protect the users of the market and the public. The proposed legislation provides for minimum margin requirements when there is reason to believe there is danger of price manipulation, or unreasonable sudden fluctuations or unwarranted changes in price, excessive speculation, or any other activity reasonably expected to restrain trade. We anticipate that this authority would be used infrequently. Minimum margins on security transactions are set at a relatively high percentage of the value of the securities. However, the imposition of comparable margins on commodity transactions could seriously impair the operation of the futures markets and limit the usefulness of these markets for hedging and price-registering purposes.

Under section 3 of the Commodity Exchange Act, the Congress warns that transactions and prices of commodities are susceptible to speculation, manipulation and control, and holds that these conditions are detrimental to the public interest and the national economy. It finds that these conditions make the regulation of trading imperative.

At present, the means to prevent excessive speculation are limited. The Act now authorizes only trading limits to prevent excessive speculation, and these are effective only against the largest traders and only when set by the Commodity Exchange Commission. If a large number of small traders

should enter the market, however, their speculative effect could be as great or greater than the largest traders; yet, there is no instrument now available to reduce the excessive speculative impact in this kind of situation.

The proposal to establish margins on futures trading would enable us to cope with this condition and thus to carry out the historic directive of the Congress.

The bill would provide that the Secretary of Agriculture under certain conditions could designate any agricultural or forest commodity as a commodity under the Act. The Secretary could make the designation only after he determines there is futures trading in that commodity and the designation is necessary to prevent, as to such commodity, acts or practices of the kind prohibited by the Commodity Exchange Act. The Secretary would not and could not immediately bring under the provisions of the Act all unregulated commodities in which there is futures trading. He would be bound to follow procedures as established under the Administrative Procedure Act. If, after a commodity is included under the Act by action of the Secretary, it appears that regulation is no longer necessary, the Secretary would be authorized to terminate the designation.

The proposed legislation would authorize the Secretary to require contract markets to adopt contract terms and trading rules relating to margin requirements and the form and manner of execution of purchases and sales of commodities, and to require contract markets to enforce these rules. At present, the Secretary's authority with respect to exchange



rules is limited to a very few rules, mostly those on requirements for designation as a contract market. The bill would affect trading rules and not cover rules for the organization or general operations of the exchanges. Members of the commodity exchanges currently have a voice in determining trading rules. However, the operations of commodity exchanges are affected with a national public interest and they serve millions of persons directly and indirectly who are not members. The futures markets are important to producers and consumers and others who may have no voice in the establishment of exchange rules, and their interest -- the public interest -- should be represented. The most reasonable means to accomplish this would be through supervision, under clear procedures, by the Government.

The rules to be adopted by the Secretary prescribing margin requirements or exchange trading rules or designating new commodities under the act would be issued in accordance with the informal rulemaking procedures of section 4 of the Administrative Procedure Act. In ordinary cases this would involve the publication of a notice of the proposed rule and opportunity for submission of comments by interested persons prior to issuance of the rule.

The Commodity Exchange Act presently provides for a Commodity Exchange Commission, composed of the Secretary of Agriculture, as chairman, the Secretary of Commerce, and the Attorney General. The Act gives the Commission certain specific authority, including the authority to establish speculative trading limits, to issue cease and desist orders against a contract market

or its representatives, to suspend or revoke the designation of a contract market, and to consider appeals from refusal of the Secretary of Agriculture to designate a board of trade as a contract market. We believe that the duties imposed upon the Commission can be performed by the Secretary of Agriculture and that this would simplify the administration of the act and at the same time lessen the burdens placed upon the other cabinet officers who must now personally participate in Commission decisions and in some instances sit at Commission hearings. The provision in the bill for review of the decisions of the Secretary of Agriculture by the Federal courts would afford adequate protection to all concerned.

The bill would give the Secretary of Agriculture the authority to issue cease and desist orders against a contract market or any person. The Commodity Exchange Commission currently has the authority to issue such orders against a contract market and its representatives and this authority would, under this bill, be transferred to the Secretary. At the present time there is no authority under the act to issue cease and desist orders against persons other than a contract market or its representatives. The new legislation would give the Secretary of Agriculture such authority when, after notice and opportunity for hearing, he determines that a person has manipulated or attempted to manipulate prices, engaged in unfair or deceptive acts or practices, taken action with the intent or having the effect of restraining trade, or otherwise is violating or has violated the provisions of the act or the rules, regulations, or orders thereunder. Experience has shown that there are often situations in which, although there are violations of the act or regulations, such violations are not

sufficiently serious to warrant the denial of trading privileges or the suspension of registration, which in many instances would have the effect of putting the person involved completely out of business for a period of time. The authority to issue cease and desist orders under such circumstances would provide an effective but less drastic type of action' and thus strengthen the overall enforcement of the act.

The act now requires the Secretary to register as a futures commission merchant or floor broker any person who makes application, unless the applicant has previously been registered and his registration is under suspension or has been revoked. There is no provision which would permit the Secretary to deny a person registration because of poor financial condition or unfitness to engage in the business for which application has been made. The proposed legislation would authorize the Secretary to establish minimum financial standards for futures commission merchants and to refuse or suspend or revoke registration as a futures commission merchant if a person fails to meet or maintain such standards. The bill would also authorize the Secretary to refuse a person registration as a futures commission merchant or a floor broker if it is determined that the applicant is unfit to engage in the business because he has been convicted of engaging in practices of the character prohibited by the act, has been convicted of a felony, has been suspended by any board of trade, has been debarred by any agency of the United States from contracting with the Federal government, or has wilfully made a material false statement or omitted to state a material fact in connection with the application, or for other good causes. In all such instances there would be opportunity for hearing and the right to appeal an adverse decision.

In our market surveillance work we sometimes see the development of a situation which almost inevitably must lead to a violation of the Commodity Exchange Act. However, under the act we are unable to take action until we have evidence that a violation is actually occurring or has occurred. The bill would seek to remedy this situation by providing that if it should appear to the Secretary that any contract market or other person has engaged, is engaging, or is about to engage in any act or practice constituting a violation of the act or rule, regulation, or order of the Secretary thereunder, the Secretary would be authorized to notify the Attorney General who could bring action in the proper court to enjoin such act or practice and to enforce compliance with the applicable provisions. Upon application by the Attorney General the court also could issue an order, commanding the person to comply with the provisions of the act or the rules, regulations, or orders, including the requirement that the offender take such action as is necessary to remove the danger of the violation. There are numerous statutory provisions conferring comparable authority on other agencies. The Securities and Exchange Commission and the Federal Power Commission have authority to bring actions for injunctions to restrain violations or threatened violations of certain acts which they administer and to seek orders to compel compliance with the statutes. In addition, the Federal Trade Commission has authority to bring suit to enjoin violations or threatened violations of several statutes administered by that agency. There is available for your reference a list citing examples of these types of statutory provisions.

Although the Department does not believe that the need for injunctive



action would arise frequently, the inclusion of this authority in the Commodity Exchange Act would give the Secretary a very effective tool for the prevention of certain types of price manipulation and other violations. It would then be possible for him to take action before damage is done to the market.

The proposed legislation would extend to all persons the fraud, cheating, deceit, bucketing, false records, and false reports provisions of the act. As presently written, these provisions apply only to members of contract markets, their correspondents, agents and employees. The proposed change would extend these provisions to cover the activities of futures commission merchants, professional account managers and others who are not members of a contract market or correspondents, agents or employees of a member, but who nevertheless handle or direct the execution of trades for other persons. By extending these provisions to any person, the act will afford equal protection to all traders.

The authority provided in the bill would make it possible for the Secretary to take specified action, for example, for suspension of registration, if he has reason to believe that a person is engaging or has engaged in any "unfair or deceptive act or practice, or is taking or has taken any action with the intent or having the effect of restraining trade" in the commodity markets. Similar terminology is contained in various other regulatory statutes. The provision regarding unfair acts or practices is similar to provisions contained in the Federal Trade Commission Act, and the Packers and Stockyards Act, 1921, as amended. The provision regarding restraint of trade is similar to a provision contained in the Sherman Anti-Trust Act of July 2, 1890, as amended. If this additional authority is granted the Secretary, we visualize that it would be used, for example, in a situation

where, although there is no evidence of price manipulation, there is evidence that a trader has sufficient control over a futures market to effectively restrain the trading in one or more commodities in the market.

The present act prohibits futures commission merchants from commingling customers' funds with the funds of the futures commission merchant or using such customers' funds to margin or guarantee the trades or to secure or extend the credit of any customer other than the one for whom such funds are held. In compliance with this provision, futures commission merchants keep customers' funds in separate bank accounts and in separate accounts with clearing associations and other futures commission merchants. However, there is no requirement in the act that banks, clearing associations, and similar depositories with whom these funds are deposited, treat them as the customers' funds. The new legislation would make it unlawful for the depositories to treat such funds as belonging to the futures commission merchants or any person other than the customer.

The Commodity Exchange Act now requires members of a contract market to keep a record of cash or spot transactions made on that market. The bill would require that members of a contract market keep a record of cash or spot transactions made subject to the rules of the exchange even though they are not physically made on the exchange. The proposed legislation would also require persons holding futures positions of a reportable size in commodities to keep a record of all cash or spot transactions and inventories in such commodities. The operations of a person in the cash or spot market and his operations in the futures market are often so importantly interrelated that it is almost impossible to determine whether violations have occurred without investigating both

types of operations. In such situations the absence of adequate records regarding cash or spot transactions makes it difficult for the Department to make investigations of alleged or suspected violations. The bill seeks to correct this deficiency.

The proposed legislation would give the Secretary authority to take action against a person who trades in commodity futures in violation of an order of the Secretary denying him trading privileges for a previous violation of the act. The act now provides for action by the Secretary in such a case only against the futures commission merchant handling the business, or by the Commodity Exchange Commission against the exchange upon which the business is done. The addition of this proposed provision would greatly strengthen the Commodity Exchange Act by allowing action directly against the person who has traded in violation of the Secretary's order.

In some instances the Department has found that violations of the act could not have been accomplished without the assistance of persons who themselves were not directly involved in the violations. It is our feeling that violations of this type can be sharply reduced if the Secretary is in position to take action not only against the person directly violating the act, but also against those who assist or cooperate with him in such violation. The bill would establish responsibility as a principal under the act for any person who aids, abets, counsels, commands, induces, or procures the violation of any provisions of the act or the rules, regulations or orders thereunder, or who acts in concert with another person in any such violation or who wilfully causes an act to be done or omitted which if directly performed or omitted would be a violation.

The present Act does not define "manipulate." We believe a definition is important, both to guide those who are subject to the Act and to those who must administer it. The proposed legislation would define "manipulate." In order to establish the existence of a manipulation, the Government would have to establish or prove at least three major conditions.

First, that a price deviation does -- or in the case of attempts to manipulate, threatens to -- exist between prices, spot or futures, of a regulated commodity and the levels of price that would prevail as a result of the normal determinants of such spot or future prices.

Second, the impact of such deviation does or threatens to impair the effectuation of the declared purposes of the Act.

Third, there is a direct and demonstrable relationship between the alleged actions of the accused and the emergence of an artificial or abnormal price.



Under the proposed legislation, manipulation and cornering or attempts thereat, and transmitting false, misleading or knowingly inaccurate crop or market information would be felonies instead of misdemeanors, as is presently the case. These are extremely serious violations with widespread repercussions throughout the agricultural economy. Setting heavier penalties by making these violations felonies should provide a greater deterrent to potential violators and make it possible to take more effective action when these violations do occur.

The Commodity Exchange Act provides that certain administrative action shall be sustained upon judicial review if it is supported by the "weight of the evidence." This is not the standard usually provided in regulatory statutes and it raises a question as to the proper scope of review. The proposed legislation would provide that the administrative action would be sustained if supported by "substantial evidence on the record considered as a whole." Most of the existing provisions for judicial review of administrative actions under the regulatory statutes specify "substantial evidence" as the standard. A list of citations of some of these provisions is available for your reference. This, of course, is not an exhaustive list. Such provisions are applicable to administrative actions of many officials, including the Secretary of the Treasury, the Secretary of Health, Education and Welfare, the Securities and Exchange

Commission, the Federal Trade Commission, the Interstate Commerce Commission, the Federal Communications Commission, the Federal Power Commission, the Atomic Energy Commission, the Federal Reserve Board, the Civil Aeronautics Board, and the Administrator of the Federal Aviation Agency.

The courts have held in many cases that "substantial evidence" means substantial evidence based on a consideration of the entire record. However, the term has been construed differently in other cases and in order to eliminate any possible danger that a court might base its opinion upon only a portion of the record, the proposed legislation provides that the standard be "substantial evidence on the record considered as a whole." Similar language appears in the Pesticide Chemicals Provisions of the Federal Food, Drug and Cosmetic Act and in the Labor Management Relations Act.

In addition, the bill would make various other changes in the act. It would re-define floor broker to make it clear that any person who makes trades in futures for another person on the floor of a contract market is required to register as a floor broker, eliminate the requirement that registration certificates be issued to futures commission merchants; make it unlawful wilfully to make a false or misleading statement of a material fact or wilfully to omit to state a required material fact in any application or report submitted to the Secretary; clarify the authority to make such investigations as the Secretary may deem necessary with respect to the operations of any person subject to the provisions of the act; and incorporate in the act certain long standing administrative interpretations regarding the application of speculative limits and the reporting requirements.

Mr. Chairman, this completes my statement of the Department's position on the proposed amendments. Thank you for your courtesy. I will be pleased to answer any questions you may have.

Partial List of Statutory Provisions Specifying "Substantial Evidence"  
as Standard for Judicial Review

Clayton Antitrust Act (15 U.S.C. 21).

Securities Exchange Act of 1934 (15 U.S.C. 77y).

Public Utility Holding Company Act of 1935 (15 U.S.C. 79x).

Investment Company Act of 1940 (15 U.S.C. 80a-42).

Investment Advisors Act of 1940 (15 U.S.C. 80b-13).

Natural Gas Act (15 U.S.C. 717r).

Federal Power Act (16 U.S.C. 8251).

New Drug Provisions of the Federal Food, Drug and Cosmetic Act (21 U.S.C. 355).

Federal Alcohol Administration Act (27 U.S.C. 204(h)).

Fair Labor Standards Act of 1938 (29 U.S.C. 210).

Atomic Energy Act of 1954 (42 U.S.C. 2239, 5 U.S.C. 1009).

Federal Aviation Act of 1958 (49 U.S.C. 1416).

OF Provisions in the following statutes for judicial review based on substantial evidence "when considered on the record as a whole" or "on the record considered as a whole":

Pesticide chemicals provisions of the Federal Food, Drug, and Cosmetic Act (21 U.S.C. 346a).

Labor Management Relations Act (29 U.S.C. 160).



Partial List of Statutes Providing for Injunctions to Restrain  
Violations of Certain Statutory Provisions

Perishable Agricultural Commodities Act, 1930 (7 U.S.C. 499h(d)).

Federal Trade Commission Act (15 U.S.C. 53).

Food Products Labeling Act of 1939 (15 U.S.C. 62e).

Fur Products Labeling Act (15 U.S.C. 69g).

Textile Fiber Products Identification Act (15 U.S.C. 70f).

Flammable Fabrics Act (15 U.S.C. 1195).

Securities Act of 1933 (15 U.S.C. 77t).

Securities Exchange Act of 1934 (15 U.S.C. 78u).

Public Utility Holding Company Act of 1935 (15 U.S.C. 79r).

Natural Gas Act (15 U.S.C. 717s).

Federal Power Act (16 U.S.C. 825m).



7/19/66  
Cop. 2

U. S. DEPARTMENT OF AGRICULTURE  
Office of the Secretary

U. S. DEPT. OF AGRICULTURE  
NATIONAL AGRICULTURAL LIBRARY

APR 12 1966

C & R-ASF

RESEARCH AND OUR MISSIONS

Let me add my thanks to those of Mr. Freeman. We are here for a good purpose. We are seeking consideration by scientists and public officials from many fields of the proper role, and of the capacity and need for agricultural research. We seek appraisal of our research in terms of our missions. We want to consider whether we have effectively coordinated our own work with other elements of the research community.

Accordingly, our program includes a general analysis of the role of the scientist and of research in general and in the field of agriculture by men outside the Department. We who work in the Department will outline our program and our plans for the future.

The Secretary of Agriculture has outlined the broad and varied and always-changing missions with which we are charged. Our programs touch the life of every American many times on every day. We are a service agency, a police agency; an educational agency; a conservation agency; a welfare agency; a domestic development agency; a foreign aid and development agency; a resource development agency; and a science and research agency. In large measure, from the beginning a century

---

Address by Assistant Secretary of Agriculture George L. Mehren at the Symposium on Research in Agriculture sponsored jointly by the United States Department of Agriculture and the National Academy of Sciences, Airlie House, Warrenton, Virginia, February 24, 1966, 2:15 p.m., EST.

ago, we have been a Department of Agriculture in the broadest sense of the word. We have always had the entire population of our country as clientele, and in recent years our missions have broadened into the world at large as the policies of the nation have broadened.

A quarter of a century ago we were the largest of the federally-supported research agencies. We are larger today than then, but we are a minute part of the federal science establishment now. Thus, it is in a context of sharp change in all dimensions of our programs that we seek this colloquy with people in other fields.

#### The Relationship of Research to Missions

In agencies like ours, there seems to be a sequence of policy and program formulation that runs from broadly specified values; to goals in more precise terms; to targets in quantitative terms; to analysis of target variables; to formulation of consistent administrative mechanisms; to program operations; and then by feedback from program results, back through all or part of the same sequence. Research in mission agencies quite directly services moral values -- but research itself must, of course, be totally free of value content.

So, in agencies such as ours, we are required first to try to express goals as a complex of quantitative targets, and to identify the systems of variation in the targets. If we can do this, all the alternative ways for achievement of targets can be specified, and perhaps even the optimal among the alternatives. We can exclude

(more)



proposed programs not demonstrably related to targets. If temporal relationships among the targets and their determinants are measurable, we may be able to lay out strategies. If we can do all of this reasonably well, there is rational basis to build administrative structure and initiate program activities.

One quite amoral phase of this complex and ultimately normative process is research -- the asking and answering of a narrowly specified type of question through a narrowly specified methodology. No answerable research question can encompass any normative content whatever. No research methodology can test any issue other than related patterns of variation. Values and goals are served by research in mission agencies, but the research process itself is untouched by value considerations. Once our goals are expressed by carrier variables, there follows the standard methodology of research inquiry -- the formulation of an answerable question and a testable hypothesis, its test, and a decision to reject or not reject. Thus, through the research process there are identified all of the variables, relationships or systems through which the targets conceivably may be manipulated. As the Secretary has indicated, without some respectable approximation of research, targets could be achieved and administrative structure and program activities could be optimal only by accident. In all likelihood, we will never achieve a fully identified mission system, but this really is what we are trying to approximate.

(more)

These are the purposes of our applied research. And so, the scope and nature of our missions, the state of the research arts, the resources available to us, and our allocations thereof largely determine the scope and nature of our applied research programs.

Yet, about one-third of our research is not pragmatically oriented. We defend our basic research work mainly as a foundation for our applied inquiry, although there are other good reasons for it. These two types of research really need not, often do not and perhaps cannot differ structurally. Where possible, the findings from any of our research workers finally translated by a mission-oriented agency into terms suited for development and technological application.

Thus to build a coherent program of research tied directly to operating goals always engages hard questions of research methodology and organization. The research questions that are derived from program goals are no less elegant or complex than those not so tied. Perhaps the most difficult operation is to structure an applied research administration through which the necessary questions may be asked and answered efficiently and then be fed into operating programs.

This is the logic of the role of research in mission-oriented agencies. Setting forth the logic, however, does not mean that in fact all applied research is so designed, that all missions are so serviced by research, or that administrative structure or program dimensions are so specified.

(more)

### Development of USDA Research

President Lincoln, in 1862, charged us with "... acquiring and diffusing scientific and technical information relating to the problems of agriculture in its broadest aspects..." So, as mission-oriented research agencies go, we are among the oldest, with broad, varied and changing missions. And not so long ago, we were the largest. In many ways, the research history of the Department may be a century-old model for other agencies of purposes, problems, methods, achievements and frustrations that they are facing now or will face in the future.

Our research and education mechanisms have been described on occasion as "confused" and "obsolete" and unduly affected with what is called the 'agrarian tradition.' Yet, a quite different set of hypotheses is fully tenable. Much of the power and productivity of this nation are measurably attributable to agricultural science. Other characteristics of our society -- open, pluralistic, ambitious, inquisitive, mobile, agnostic and postivist -- are in part the mark of agricultural research and education. The emerging characteristics of the system in other fields seem often faithfully to replicate those in agriculture of decades ago.

The nature of education of people for any kind of science may well render some of its practitioners a little parochial. This apparent tendency may have been heightened by the rising academic and political prestige of scientists in recent years. Yet scientists in agriculture do not in fact seem to be unusually afflicted with professional

(more)



provincialism. People in agricultural sciences seem to know as much about other fields as is known by others about their own. The field is such that we must draw upon many disciplines in research. The program operations are such that we deal daily with almost every major phase of domestic and international activity.

Agricultural science is largely an applied field -- but there is ample and widely-realized latitude for elegance for thought and action. Teaching and research have been tied together operationally in agriculture for more than a century. The extension component was built into the system 50 years ago. For some eight decades, there has been a formal mechanism for coordination of Federal programs with those of the States and the universities. Missions have changed. Some phases of research have become obsolete and have been replaced. But the system itself is hardy. It is lively. It is not a perfect piece of machinery but its performance is still immensely useful and its future is bright.

It may not be too much to hold that life in this nation -- including its general science component -- could not have become what it is today had not this mechanism for agricultural science been developed so early.

On the other hand, agricultural science curricula in some of the colleges are parochial, insular, narrow and too specialized. Some of them are perhaps intellectually inferior and perhaps some are declining in relative quality of people. Some parts of agricultural science may indeed have been by-passed since 1940 and left behind and alone. If



this be true, then remedy is needed. The agricultural sector of America is an important sector and must not ever fall behind. No science and no education and no industries or people can live sequestered and alone.

The fact seems to be that all of our mission agencies draw for research upon the same intellectual resources, ultimately in much the same ways, to the same ends and under the same constraints of budget and political processes.

To hold that agricultural science is a fruitful field is not a counter-exercise in polemics or in invidious comparison. Nor is it an apology.

There are two immediate purposes here. The greater is for us in agriculture to learn from men in other fields. The other is to tell men in other fields who we are, what we do, how we do it, and where we are going. We know that agricultural research must not be or remain apart from other fields. And there is much in agricultural research that can be of help in newer applied fields.

Again with no defensive or offensive intent the translation of agricultural science into industrial application has served us well. As example, in the farming sector alone, the use of 1920 technology would have required 27 million workers -- instead of the actual 6½ million -- to turn out the production of 1963. There are farming, processing and distribution industries in which research seems to be translated

(more)

into technology almost over night. The measured yields of investment in applied agricultural science have been high.

People in agriculture seem generally to believe that the performance of agricultural science is still good; still pre-eminent in world science; still vitally necessary to future productivity; still abreast of advances in the basic sciences; still important in developing new plants, animals and techniques; and still an important element in education. Yet many of us know that full verification of all of these beliefs might not be easy, and probably not very useful. The compelling fact is that future adjustment most surely will be required.

#### What is Agricultural Science?

Agricultural science can be defined in several ways. In one sense, it is the application of scientific methodology to questions of pragmatic significance in agricultural operations. It could also be precisely defined somewhat less effectively as the activities of those who are called agricultural scientists. Yet, again, agricultural research draws on virtually every discipline of science which is unmarked by resource or functional adjectives. Its differentiation from other applied fields therefore must depend largely on differences in operating missions. In large but by no means full measure, our research program is what our missions and those who set them cause it to be. The missions require particular complexes or combinations of general sciences. Those combinations therefore could also be called agricultural science.

Not all our research is designed ex ante or in systems, but much of our mission research should be and increasingly is so constructed. Most of it has more systems design and more coordination with other fields than may appear on the surface. We in the Department are a long distance from precise identification of missions and classification of our activities in mission categories. We are a longer distance from relating all of our applied research activities to our missions. It is very doubtful indeed that all of the research of a mission-oriented agency could or should be mission oriented.

Among other factors, there is, and perhaps must and should be, some control over programs and research by political processes at several different levels. Other agencies experience these same constraints. There are other compelling reasons precluding design for all research activities.

The dollars of budget generated for support of a mission probably affect the dollars allocated for supporting research. But in agriculture there is no apparent correlation of all of our mission and research allocations, and probably should not be for every mission. Some of our major missions have relatively little research back-up. Not every one of our missions requires the same kind of research. There is no necessity that program outlays and research outlays always be proportional for all operating goals.

#### Scope and Nature of Agricultural Research

As one phase of the long-range research plan now being formulated by the Department and the States, the first federal-state research

inventory is completed. We can retrieve some 800 combinations of activity, commodity or resource, and field of science for the approximate 16,000 Federal and State projects involved. We can print out substantial information on non-Land-Grant academic and industrial research as well as our own.

Already we can identify some complementarities among these various activities; some duplications; and, in some cases, gaps in systematic specification of questions necessary to achievement of mission. Already, our design of specific packages for specific goals has been greatly facilitated. Now we are appraising our present allocations and trying to formulate reasonably effective criteria for reallocations.

Net derivatives of research investment cannot really be neatly equilibrated in all directions -- but in effect this is what we are trying to approximate. Such equilibration requires multi-target, multi-discipline and multi-agency references -- and this is not easy. In trying to optimize our research, there will have to be feedback from operating programs. There will have to be identity or at least workable compatibility of research inventories with the storage and retrieval systems we are developing for our library and for our current research appraisal system.

Despite these limitations, we do intend soon to submit five-year projections of research activities and required support for them. We regard these projections as strategic tracks, and we are providing latitude for short-run tactical shifts.



I think, therefore, that we can say with substantial accuracy that we and the states now know far better than before what we are doing. We shall very soon be able to say with some degree of precision where we want to go and the paths we want to take in getting there. And we can see far more clearly than before that in getting there, or anywhere, we must find a far higher measure of coordination of all of the phases of our work with that of many other agencies.

Essentially, we are some seven department research agencies tied to State universities and a few others through joint planning and cost sharing. About 20 percent of our people are in university facilities and 30 percent are in university communities. In 1965, we spent inhouse about \$183 million in research and allocated about \$14 million on contracts and some \$50 million to the States. The States in general contributed in the ratio of about  $3\frac{1}{2}$  to 1.

We employ about 5,000 and the States employ about 10,000 professional people. They are recruited, thus far without major difficulty, with no apparent concentrations in areas or institutions. We contribute to the support of about 2,000 graduate students.

Virtually every basic discipline is represented among our people. Chemists, social scientists and engineers account for three-eighths; geneticists, structural biologists and entomologists together about one-fourth; other biologists, pathologists and pharmacologists, about one-sixth; and the remaining approximate 20 percent are distributed among 17 other fields of science.

(more)

In subject matter terms, we had in 1965 some 2,079 people in farm research; 946 in utilization; 141 in consumer and nutrition research; 235 in marketing; 1,177 in forestry and 575 in economic analysis.

Geographically, our personnel are widely distributed with some concentration in areas of high-level farming activity. There are about 780 field stations -- almost surely too many and a few are unduly small and isolated. Yet, considering the constraints impinging on us, there is no alarming dispersion or concentration of people or facilities.

Roughly one-third of our own work is basic, without immediate orientation to pragmatic application by us or others. The exact proportion of our work done by design or systems is not yet precisely known but soon will be.

The diversity of research operations and kinds of research people reflects the immense diversity of our operating missions. No one, at this stage, could really appraise precisely the degree to which we have -- or have not -- optimized our research allocations among disciplines, concentrations of work, places or institutions. Yet, at the working level at any rate, there seems to be no glaring deviation from what might be considered optimal or nearly so, if constraints are considered, in conjunction with missions.

#### Allocation or Balance Criteria

Ours is a fairly large scale operation, with command lines diffused, and with a scope of research questions far broader in fact than the usual specification of our missions would indicate. The

(more)

major difficulty in allocation for us as for others, is the absence of quantitative specification of target variables and estimation of productivity and costs of research inputs. This lack clearly impedes achievement of optimal research balance. We do not, in honesty, yet know how to achieve such balance, or even whether it can be achieved other than by the judgment bases now used in research agencies generally. But we do know the questions for which we must seek solution.

Specification and weighting of norms are not thus far susceptible of quantitative specification. Equilibration of inputs might be so susceptible for given norms and weights, if input-output relationships and costs were known -- but these of course are unknown. So, apparently, allocation decisions are and must be made on what is called judgment -- and usually is not specified meaningfully. There seem to be no operational definitions of what is called "balance."

Even so, canons of quality are suggested: novelty; widened command over nature at a low cost; generality of findings; possible complementarities of method; expectation of contributions to national goals; easy translation into enhancement of productivity; cultural impact; preservation or enhancement of future productivity. Ultimately, all of these general criteria seem to be subjective, arbitrary and non-operational. They can only serve as rough guides in deciding how to frame a research program in an agency like ours.

Yet research and research people are judged by us and by others. The very good and the very bad can be identified easily. Not so the

(more)



large middle. I think that we really do not make our choices so much between broad areas of research as we do among individual proposals. We can, I think, make reasoned judgments of the consistency and complementarity of such projects, and we can in fact judge the competence of those who propose them.

Whether, and if so, how much, any government agency should invest in research are also quantitatively unresolved issues. Identification of net contribution to public goals does not seem possible even for such limited and generally-supported areas as desalination or conservation. It is doubtful that broad areas or individual projects can be supported solely because of the assumed capacity of a rich economy -- which is not rich uniquely because of science -- to support research as a sort of a general obligation.

The appropriate investment -- if any -- in total or in specific projects that is necessary or desirable to maintain American science or program "leadership" cannot in practice be specified.

In fact, in a project or in any aggregate of projects or systems, there seems to be a multiplicity of targets, and the equilibration of inputs is vastly complicated in consequence.

Relative weights of missions change over time, and costs and yields of research inputs are also temporally interrelated. I doubt that there should always be a static or declining research budget for agencies with declining relative importance of mission -- and I do not have the Department of Agriculture in mind as the only example.

I am uncertain of the competitive nature or efficiency of the "free intellectual and commercial market" as an allocating mechanism. It is widely believed, even if undemonstrated, that such a market,

(more)



even if it were competitive, would result in underinvestment in questions of social rather than individual significance.

We do not really know the degree to which the economy can afford so-called "open-end" science solely because such budgets absorb a small part of the national product.

Whether research itself -- either basic or applied -- may properly be considered as a sort of long-run social overhead investment is thus far a matter of individual preconception. The meaning of "intrinsic research" is not clear. It appears desirable to heighten the state of the art, but this is no compelling basis for allocation against competing claims of many kinds. Rightly or not, in our present program planning for the Department as a whole, we do not classify science or education as goals.

The causal sequence, if any, from basic research to applied research and then to enhanced industrial productivity is not yet exactly established. Even so, the apparent promise of quick transition to technology seems to be a major criterion for allocation in some instances.

We in the Department have been criticized both for inadequate relative emphasis on basic research -- and despite a remarkable record -- for unduly light relative emphasis on development.

All of us must make allocation decisions all of the time. Research competes against operating programs, including those it serves directly.

(more)

Even within an already-budgeted research activity of fairly narrow scope, there are balance issues among alternative disciplines, methodologies, people and places. We try, for example, simultaneously to upgrade all State Experiment Stations through formula grants, while trying to solve systems questions and to build excellence through individual contracts or grants. In doing so, we resolve, rationally or not, an immense battery of competitive claims among missions, research questions, places, types of agencies, disciplines, methods and people. Implicitly, we are judging the relative productivity of all these alternatives. Usually we do it on the basis of preconceptions of men who we think are creative and technically competent. At the moment, there may be no better way.

We have machinery through which these allocations are made. We have a comprehensive mechanism to link the States in generating and appraising the work of their people and in trying to coordinate it among themselves and with us. We have many research advisory committees. We now have a research program development and evaluation mechanism. We have a Departmentwide programming system for all of our missions and activities. We are subject to Budget Bureau and Congressional review. We work with many private research agencies and with science coordinating units of the government.

Even so, I suspect that we leave inadequate tracks of that which almost miraculously turns out to be a reasonable and fruitful pattern of activity. It is not optimal perhaps. It is generally impressive

(more)

intellectually. It is not arrantly foolish or inefficient. Personally, I am puzzled that performance looks so much better than the administrative machinery through which the performance is apparently achieved.

Some research is funded because we know the individual to be creative and competent. He will ask good questions and answer them well. Other research is supported because we are enjoined systematically to enhance the research capacity of the institutions -- and of this we approve. In other cases we look for competence in answering questions within systems or in resolving program problems of immediate moment. Finally, we make some allocations to maintain what now are called centers of excellence-- and of this we also approve.

But we have no optimization variables to represent missions; we do not know input-output relations of research resources; and we apply no formal equilibration analysis. Nor does anyone else.

Despite this, I want -- and so do my colleagues -- to know more precisely what we do; to explore without surcease the possibilities of a real allocation calculus; and perhaps in the process to defend against efforts to organize research exactly as some operating units are set up. Our research has been worth doing -- and it is now.

#### Administrative Structure and Mission Oriented Research

Administration generally is defined in terms of lines of command, reward, budget, accountability, appraisal and adjustment. The operating facts of these administrative lines among the immense number of

(more)

interrelated activities in our Department are far too complex for easy description. Neither we nor any other public research agency has full latitude in these administrative decisions.

There are complementarities, overheads, scale economies and diseconomies and indivisibilities in research, and they must somehow be managed. There are difficult allocation issues even within a single project. So, costs and efficiency implications of alternatives usually must be guessed.

The climate of work is vital to a creative man. At some level, some decisions must be his.

Mine is a modest goal, just now. I want to see if we can find administrative structure by which we can reasonably manage some reasonable combination of basic and systems research, some institutional, some individual, some designed and some aimed at excellence. I know that we look diffused, fragmented and uncoordinated. This is undesirable, and not necessarily because quality of output is adversely affected. I oppose a monolithic administrative line, for reasons good research men will approve.

As things go now, we seem to achieve at least a workable balance of individual initiative and internal and external coordination. But the perfection of research administration is a major area of inquiry for us. Our programming and our information activities should help us substantially.



Yet, ultimately we will be required to match our administrative structure to our research program -- and we have begun to try.

### Scientific Personnel Policies

We are fully equipped with the standard personnel machinery and I think ours is well-intentioned and efficient. But there are difficult questions in this primary phase of our work that are yet unanswered, and there are policies and procedures used elsewhere that we should consider for ourselves.

We need first to consider how we can shape our own research program to guide desirable outturn of scientists and teachers. We need to know whether people trained in basic sciences can later function both as basic or applied scientists. We need appraisal of the places in which they are trained.

There are institutions which recruit against the world. I want to know whether we can do so.

There are procedures for appraisal of performance and advancement to tenure status or beyond not used by us. I want to know if we can adopt them.

Other institutions have different post-doctoral or other in-career training procedures. We have large-scale programs, but alternatives must be weighed.

(more)

We need to find acceptable scientific environments in the face of a dispersed operation. The status of a government scientist must not be denigrated.

We need an estimate of the populations of different kinds and qualities of agricultural scientists.

These are not major deficiencies, but there are possibilities to heighten the productivity of this major research resource.

### Conclusions

Agricultural research has helped to free many men from the struggle to feed themselves. In the past, it has contributed much to the character of life in this country. I think it is still a vital element of our society. We clearly must do now what others also must do -- define our values; translate them to missions; turn our missions into targets; analyze our targets; and then tailor program; we must find criteria and measures adequately to allocate our work. We must build administrative organization that will contribute affirmatively to our goals. We must find and train scientists, and give them adequate working environment.

But most important, we cannot operate in detachment from other research. We cannot except in the research process -- detach ourselves from the moral values that finally give some guidance to our applied science. Some people say that science and morality are hard to separate now. Science by definition is bereft of value. If it is

(more)

to play its applied part in achieving goals, it must of course remain so. In the context of applied research, there seems clear compulsion for close coordination of work by many agencies. Surely there is really no separate agricultural science. Glenn Seaborg has written that "We are headed for some new and undiscovered shores ... long separately, now together ... I think it is science which has made this so."

\* \* \* \* \*





280.39

1470

TO SERVE THE PEOPLE'S NEEDS

This is an assemblage to delight the heart of any speaker -- a group that taken together represents many of the commercial segments of our economy -- a host company with broad consumer contacts and a known appetite for facts -- and an audience willing to listen to the speaker's favorite subject: In this case, the USDA in the Age of the Consumer.

I'm delighted to be here.

Through the years a lot of cliches have been applied to the U.S.D.A. -- many of them basically fictitious. I'd be tempted to ask you to sweep them all out of your minds if it were possible for anyone to do so. Since it isn't, I urge you at least to get rid of the most fallacious cliché of them all -- namely, that the single or exclusive mission of the U. S. Department of Agriculture is to serve farmers alone. As a matter of fact, to do this alone would not really be to serve farmers most effectively.

The truth is that USDA is first, last, and always dedicated to serving all the people -- including farmers. And this overall mission is the one most consistent with the interests of farmers.

About 90 percent of our man-hours -- and over two-thirds of our expenditures -- are devoted to services of primary benefit not to farmers as such, but to the general public -- services to the most typical American of all, the Consumer. We provide far more direct services to more consumers than any other department or agency of government.

---

Address by Assistant Secretary of Agriculture George L. Mehren at "Consumers All" luncheon, Skytop Room, Statler Hilton Hotel, New York City, N.Y., January 31, 1966, 12:30 p.m. (EST).

---

What would be your reaction if I told you that -- among a great many other things -- the USDA --

Administers the biggest recreation complex in the world?

Operates and maintains the biggest fire department in the world?

Sells more timber than the biggest lumber company in the world?

Lends more money than the biggest bank in the world?

Carries out the biggest emergency feeding programs in the world?

That's precisely what I am going to tell you -- and these are just examples of a broad battery of service, research, regulatory and other activities designed ultimately to help make the best possible use of our food and agricultural resources.

In the national interest, we do run the biggest outdoor playground in the world -- the 186 million acres of your National Forests -- with 150 million visitors last year. We have over 7,000 camp and picnic grounds in the National Forests -- able to handle 425,000 people at once. We have 199 winter sports areas, financed by private funds and operated under paid permits from the Forest Service. They could accommodate at one time the entire population of Jersey City, Dayton, Ohio, or El Paso, Texas.

We're constantly improving facilities -- roads, bridges, trails, campsites, new resorts. Just last month we awarded a temporary contract, on a competitive basis of course, to Walt Disney Productions for a \$35 million Alpine Village type recreation development in the Sequoia National Forest in California.

(more)

To help us carry out one phase of a major national mission, we do have the world's biggest fire department -- to safeguard your forests. It uses not only the latest conventional equipment, but bulldozers, patrol planes, chemical-carrying airtankers, helicopters, and the world-famous smokejumpers. Last year we fought over 9,000 fires in the National Forests, plus many more on State and private lands. And though we do have a phenomenal safety record, considering the scope and nature of the work, eight of our fire fighters lost their lives last year in the line of duty.

We not only fight fires---we prevent man-caused blazes through education and supervision. And by constant observation and prompt action we put out potentially big conflagrations while they are still small. Last year we had <sup>second</sup> the/fewest fires and the fewest acres burned in the 60-year history of the Forest Service.

In part to conserve and develop national resources, we do sell more timber than the biggest lumber company in the world -- last year's harvest was worth \$161 million. Almost one-fourth of the wood used by American industry for homes, paper, furniture, and other products is supplied by the National Forests. A few weeks ago we made the biggest single timber sale in history -- 9 billion board feet of timber -- enough to build about 2 million homes. The income from the sale was \$30 million and it will run over a 50-year period.

To help in the development of our rural resources, our outstanding loans do exceed those of the country's largest bank. These loans finance farm and non-farm rural housing, community facilities -- such as water systems -- electric power and telephones in rural areas, and general and specialized farming activities.

(more)



Quite directly in the national interest, we do carry out the biggest emergency feeding programs in the world. Last September when Hurricane Betsy left thousands of families hungry and homeless, USDA shipped to Louisiana and neighboring States over 4 million pounds of food. We sent it in by rail, truck, and plane, and we helped distribute it to 250,000 victims of the disaster.

And through our regular -- not emergency -- food distribution programs, we improved diets last year for over 40 million Americans -- one-fifth of our total U. S. population -- mostly children and the needy.

This gives you a cursory idea of the unusual responsibilities we have in USDA. But these are only a few of our services to the American public.

To preserve and improve the nation's natural resources, we help farmers carry out soil and water conservation programs that move more than a billion cubic yards of earth every year. In terms of earth excavated, that's like building a Panama Canal every three months.

The most reliable forecasts of river flow in the West are based on the Department's measurements of mountain snow -- made by some 1,200 snow surveyors traveling 70,000 miles a year on skis and snowshoes in remote and rugged mountain areas.

We maintain photomaps of some 80 percent of the entire U. S. land area. Who uses them? Farmers, of course -- but also municipal, county, and State governments, plus builders, architects, and engineers.

San Antonio, Texas, a few years ago planned to install a 24-inch steel main along city-owned right-of-way. The bids were high because the route was underlain by limestone. Our soil survey found a route that was free of rock

(more)



and shorter besides. Even with the added cost of easements for a new right-of-way, the city saved a considerable amount in construction costs. Now in San Antonio and many other cities, no municipal department or agency proposes construction without a soil survey as one of its basic tools.

We have the responsibility as a civil defense emergency of supervising the production, processing, storage, and distribution of food through State and local authorities. We have inventoried the nation's food and beverage resources. We have established radiation monitoring stations in every county and trained thousands of personnel to measure radioactivity.

All these things we do--to serve the people's needs.

It would be natural at this point for you to ask: "Why are all these services lodged in USDA? How did they get there?"

When the Department was established a century ago, it had four particular missions: To collect statistics relating to annual crops; to prepare tables on production of domestic products; to collect information on important topics relating to agricultural production; and to publish monthly and bi-monthly reports.

There may well have been very little in the early history of USDA to indicate its development into the foremost consumer agency of the Federal Government. Yet President Lincoln, with what seems almost prophetic foresight, in setting the charter of the department, said: "The agriculture department... is peculiarly the people's department in which they feel more directly concerned than any other."

(more)

It's true! It is the people's department--and through the decades of the past century it's been the department the Congress has turned to on behalf of the people, much more than to any other, when there were consumer needs to be served.

Of course, and quite properly, it's also the department the people often turn to with their complaints, valid or otherwise, and in the best tradition of America. The Secretary of Agriculture, it's been said, lives in an Ever-Normal Doghouse. This may have been an impertinent observation, but in fact there is much direct communication.

When Mrs. Consumer becomes upset about what she considers to be the high cost of living, who gets the bill of particulars? The USDA certainly hears about it -- even though the cost of food over the past decade and a half has risen less than almost any other major element in the household budget -- and even though the cost of food in the U. S., relative to real income, is lower than ever before, and much lower than anywhere else in the world.

USDA research and education help make and keep food a bargain. Last year, on the average, American consumers spent only 18.5 percent of their disposable income for food. Five years ago, they spent 20 percent. A decade before that they were spending one-fourth of their disposable dollars for food.

We police meat and poultry products and quite a few other foods for sanitation, wholesomeness, and honesty of labeling. We provide grades for quality, market news, and many other services that improve marketing.

Our scientists have developed many of the improved foods we eat -- frozen orange juice; instant white potato and sweetpotato flakes; instant

fruit and vegetable powders; the family-size turkey; bacon, ham, and pork chops that have more meat and less fat.

Some of you are probably wearing wash-and-wear cottons. The Department helped pioneer the development of these wash-and-wear finishes which have so greatly improved shirts, blouses, and other clothing. Our chemists are now working to make these finishes even better.

Stretch socks, slacks, and underwear made of a new stretch cotton are the result of another clothing advance from our laboratories. So is the new shrink-resistant wool.

Our services extend far beyond the food and clothing area.

We can provide information on how to improve your lawn, how to find out what will grow best in your garden, how to control insects and disease in flowers or in garden vegetables -- and how to get rid of termites, ants, roaches.

For the do-it-yourself fan, we can show how to choose lumber for building an addition to a house, how to protect wood surfaces from decay and how often to paint them.

The aerosol spray bomb, improved paints, industrial chemicals and coatings, detergents from animal fat, a blood plasma extender, and commercial methods for making penicillin; all these we take for granted. All of them owe much to USDA research.

The USDA holds patents on many products, but makes them available to industry as the best way to serve the people's needs.

(more)



We in USDA are proud of these services -- but we're a long way from being satisfied with them. Inspection of meat and poultry, for example, is fine -- but we think that consumers certainly deserve and should get 100 percent inspection. We are seeking to achieve this by proposing legislation that would help the States improve their meat inspection activities.

Similarly, grades and standards for food are highly helpful. But we cannot escape the sober truth that millions of American consumers do not buy by the grade. Many of our people have not learned that this is an effective way to stretch their food dollars.

We are keenly aware of our responsibility not only to make better known the consumer services we offer -- but to increase the effectiveness of consumer education.

The era of abundance which we have entered gives this nation the opportunity to build a truly Great Society. But the very abundance that is at our fingertips in the market place, and that reflects the quality of this nation, does create some problems for consumers as well as opportunities -- although few of us would trade abundance to be free of the problems that come with it.

Apparently, not all Americans are as skilled in wisely spending their income as they are in earning it. The people themselves -- at least some of them -- realize this. A recent poll by the Minneapolis Tribune revealed that only one person out of 14 considers himself an excellent shopper, whereas over half rate themselves as fair or poor. While mere statements of this kind do not necessarily mean poor active performance, 9 out of 10 say it takes a special kind of skill to be a good shopper.

(more)



In an economy like ours, where many choices are available, freedom and efficiency of operation require in large measure that people know and practice the art of being thoughtful, discerning consumers.

President Johnson has urged all government agencies that deal directly with the people to emphasize consumer awareness and consumer service. In most markets of our economy, the consumer is better served than ever before. Yet it is fully proper that consumer interests and views be heard direct.

It is proper that government serve the consumer. In an economy where much business <sup>is</sup> done on word of mouth and on faith in the honor of men, it is vital that trade be kept fair and free. Consumer welfare is a proper and necessary goal.

We in USDA have increased our efforts toward this basic objective. We cooperate closely with the President's Special Assistant for Consumer Affairs, and we work with many other government agencies serving consumers.

We've developed a number of new tools for consumer information and education.

We started a monthly newsletter about two years ago which goes to all the groups that deal with consumers. We issue weekly Food and Home Notes which reach more than 5,000 newspapers, magazines, radio and TV stations, industry outlets and county demonstration agents. Much of the work of the cooperative extension service is oriented to consumers. We have published a very popular 50-page "Consumer's Guide to USDA Services" and have had up to 8,000 requests in a single day for this pamphlet.

(more)

But we need the help of all consumer-oriented groups in telling people how we can serve them. Government agencies don't have an advertising budget -- and they should not have one. They can't propagandize -- nor should they be allowed to do so.

Consumers carry the ultimate responsibility in general to take care of themselves. They can expand their knowledge through adult education courses, and through contact with home demonstration agents who teach consumer skills not only to individuals and groups but to mass radio and TV audiences. They can join clubs which express the consumer viewpoint, attend public meetings and consumer institutes and they can interest themselves in consumer legislation.

Consumer education needs to begin early in life. Fortunately, there seems to be a healthy realization that young people today are active consumers and that they need consumer training as a regular part of their education. Lincoln High School, in Yonkers, New York, has inaugurated a fascinating consumer education program that runs through all the academic courses. It teaches students how to buy, how to budget, how to detect shoddy goods, how to figure interest, how to avoid high-cost credit -- in short, how to be informed consumers.

And outside of school there is a growing emphasis on practical consumer training through such organizations as 4-H Clubs, Future Homemakers of America, and Girl Scouts.

What it comes down to is this: Consumer education is not just a job for government or business or labor or the schools or private organizations --

(more)

it's a job for all of us. And it's worth taking on together.

The wants of people are wide and their incomes are limited. Rational choices must be made. Adequate information and free alternatives of purchase are requisite to sensible buying.

By blending our efforts we can help American consumers of all ages and all income levels live better in the kind of economy we all want to see developed in this country. In the long run it's good business to help consumers learn how their dollars can be stretched, how their vacations can be improved, how they can enjoy more fully the fruits of abundance.

For our part we in USDA expect to lay increasing emphasis on serving the people's needs through consumer services. But we are very conscious of our limitations in the vitally important area of consumer training.

We intend, as best we can, to perfect our services, regulatory work, our research and education, our conservation and development work. Among us all, we can get the job done.

-----





THE USDA's VISION FOR THE FOOD COMMISSION -- AND FOR ITSELF

In the following few paragraphs I hope to set out in broad terms the central ideas that led the Department of Agriculture to propose a study of food marketing as now carried on by the National Commission on Food Marketing.

I hasten to add that although the Department took the lead in asking for the Food Commission study and in framing the resolution, it was joined by other agencies of the Executive Branch, and perhaps notably the Federal Trade Commission, which had an interest in particular aspects of a study.

There were the usual discussions within the Executive Branch prior to transmission to the Congress. It is noteworthy that the supporting arguments advanced by the Department were echoed throughout the hearings held by the Senate Commerce Committee and the House Agriculture Committee. Virtually all testimony was in accord. Furthermore, the Department's ideas and most of its proposed language were incorporated into the Joint Resolution as enacted. In order to refresh memories, including my own, I attach as an appendix the section of the Joint Resolution listing the Commission's duties.

---

Statement by Assistant Secretary of Agriculture George L. Mehren at the 59th Annual Convention of the National Cannery Association, Americana Hotel, Bal Harbour, Florida, January 24, 1966, 12:30 p.m. (EST).

---

Seldom has a major proposal by the Department of Agriculture won such unanimity of concurrence. My colleagues of the Department have queried me as to how it came about. They are looking for similar harmony on price support, rural community development and some other issues.

The idea of initiating a food marketing study won such endorsement from all concerned because all concerned are deeply affected by the problem to which it is addressed. Every sector and every party engaged in food marketing is aware that many time-honored ways of doing business have been and now are literally being overturned. Many are painfully aware.

In all honesty, the food study proposal probably was found acceptable also because it was stated in general terms. As Robert Dahl reported after he studied public attitudes in New Haven, Connecticut, "Americans almost unanimously agree on a number of general propositions about democracy," but "they disagree about specific applications." The Food Commission is therefore apt to be foredoomed to receive, shall we say, somewhat less complete approbation over its report, whatever it may contain, than it enjoyed over its own creation. These reactions seem to be general in public affairs.

The Department of Agriculture will be quite as interested as anyone else in learning what the Commission finds and concludes. We will be quite as respectful of the implications for us of what the Commission has to say.

Nevertheless, we recognize that the Commission is not obligated to report in the particular terms in which the Department envisaged the Commission's assignment. By no means can it be expected to answer all questions posed to it these last twelve months. To do so would require the three qualities not often fully given to mortal men: omniscience, omnipotence, and omnipresence -- along with much time. Further, the Commission is not in any manner under mandate to come up with answers to all of our problems in the Department of Agriculture. The Commission can help us, and doubtless will do so. But the responsibility for framing and carrying out our marketing programs remains ours.

I comment at such length on the relationships between the USDA and the Commission because, frankly, the Department as an agency, and I as an official, are quite properly respectful of those relationships. Not often is a Department of the government at once brainstormer, co-instigator, and hopeful beneficiary of an inquiry such as that being made by the Food Commission.

But, in a larger sense, the Department and the Commission have an identity of interests. The objectives we sought in supporting the Commission's study are the objectives -- and also the obligations -- we hold for ourselves.

The system for marketing foodstuffs in this nation -- for getting them from the farmer to the consumer efficiently and with equity to all concerned -- has set a marvelous record in many respects. Not least of its merits is that as a decentralized private market system



it is largely self-regulating, depending on government primarily for services of providing a common language, market intelligence and protection against outright collusion or fraud. Yet, as a matter of clear fact, a number of new strains and stresses have been placed upon it in recent years. These developments are often classified as those of technology and of business organization and relationships. The market system may well be over-castigated in some respects. I do not believe that its own performance has deteriorated, but it has become subject to higher demands as to what we want it to do.

Among many unsettling changes are the decline in central terminal markets, where buyers can meet sellers eyeball to eyeball and a market news man stands close by; the growth in size of market firms, particularly at retail; and the proliferation of methods of trading that seem often to have altered the functional role of price. Most important, traditional terms of transfer in some segments seem almost to have disappeared.

It would be naive to suppose that the change we actually see could have occurred and yet leave all else in the system unchanged. Much marketing is now done under contract or consignment. One purpose is to achieve better control over quality and availability of product. Yet, in some cases the negotiating freedom of producers is alleged to have been compromised. There have also been allegations that retailers sometimes employ the same tactics to their own ends, as they play one processor against another in grinding down prices to a minimum cordwood level. The impact on traditional bargaining relationships is widely held to have been immense.

(more)



Some retailers have said that they find their businesses over-expanded -- "overstored," as they put it -- and then come charges that they resort to promotional campaigns that are often said to yield little net result except to add to costs of food to consumers.

Not for a moment would I resort to a Pollyanna "we're all in this boat together, and there's no conflict among various parties." In a sense, there is a kind of conflict in all trade. In the present situation, this conflict seems to have been compounded by drastic change. Yet, all sectors of the marketing system are in fact caught in this flux and they cannot always interpret it, let alone resolve some of the conflicts it brings.

All look to the Food Commission to provide new insight to help them interpret the situation. Many truly want help in resolving it.

The Food Commission was clearly charged to consider both the efficiency and the power balances within the food marketing system. Their interest and concern is what economists call structural. It applies to how to put together a marketing industry that has changed sharply in all dimensions and relationships but must still meet the same criteria of honesty and competitiveness. For our interests, in meeting our own obligation to this nation, we want to know what has happened, where change will take us, what kind of food industry is consistent with our national goals and what we should do to help achieve them.

(more)

The Commission is not hunting for scalps but it is searching for a design for a marketing system.

All these remarks have been expressed in the lofty language of how the Department of Agriculture looks to the Food Commission for guidance in better meeting our assigned missions. To be sure, we also are interested in what the Commission will say about our research, service, regulatory and educational activities; about marketing and bargaining cooperatives; about our grades, standards and market news; about our Packers and Stockyards and Perishable Agricultural Commodities activities; about marketing agreements and orders. We expect and hope to get some trenchant suggestions. But this is our secondary focus, not our primary one. We have sought for more than increased efficiency in our present work and we trust that the marketing sector also looks to the interests of the nation at large.

If the Food Commission can provide guidance on the broader structural issues, it will be easier for both public and private agencies to adapt their own activities accordingly.

That change has been drastic is amply clear. That it now best serves the public or will do so in the far future is not so clear. If there are to be changes in goals or policies, or in the means of serving present goals, such changes must be based on fact and not on allegation alone, they must be tied to purpose, their offsetting costs, if any, must be appraised, and change must come by due process. This is a serious mission. Its achievement is meaningful to every American.

(more)

Appendix

Excerpts from Public Law 88-354, 88th Congress, S.J. Res. 71  
of July 3, 1964.

"Sec. 4. Duties of the Commission.--(a) The Commission shall study and appraise the marketing structure of the food industry, including the following:

- "(1) The actual changes, principally in the past two decades, in the various segments of the food industry;
- "(2) The changes likely to materialize if present trends continue;
- "(3) The kind of food industry that would assure efficiency of production, assembly, processing, and distribution, provide appropriate services to consumers, and yet maintain acceptable competitive alternatives of procurement and sale in all segments of the industry from producer to consumer;
- "(4) The changes in statutes or public policy, the organization of farming and of food assembly, processing, and distribution, and the interrelationships between segments of the food industry which would be appropriate to achieve a desired distribution of power as well as desired levels of efficiency;
- "(5) The effectiveness of the services, including the dissemination of market news, and regulatory activities of the Federal Government in terms of present and probable developments in the industry; and
- "(6) The effect of imported food on United States producers, processors and consumers."

\*\*\*\*\*





280.39

m472

cop. 2

U.S. Department of Agriculture  
Office of the Secretary

IN THE HOUSE OF SCIENCE THERE ARE MANY MANSIONS

It's a pleasure for me to join you for another annual convention. I always feel very much at home with my friends from the Land-Grant universities.

Since moving from the California campus to USDA a couple of years ago, I have gained new appreciation for the close and enduring relationship between Land-Grant institutions and the Department.

We have different jobs, it's true.

But we both serve the same people -- not only farmers but all the other citizens of this Nation.

And we both serve this public in a variety of ways.

Combined in our overall mission are responsibilities to insure that the American people continue to enjoy an abundance of food and fiber . . . that our natural resources are used to provide maximum benefit for all people . . . that agriculture remains a strong force in the national economy as well as an instrument for achieving the peaceful goals of this Nation throughout the world.

---

Address by Assistant Secretary of Agriculture George L. Mehren before the Division of Agriculture of the National Association of State Universities and Land-Grant Colleges, at the annual convention, Leamington Hotel, Minneapolis, Minnesota, November 16, 1965, 1:30 p.m. (CST).

---

I am not going to recite all of the many activities of USDA and the Land-Grant universities, but I do want to invite your attention for a few moments to the basic missions for which you and the Department are jointly responsible.

The thousands of activities that we carry on together could well be classified in many different ways. Yet, it is possible -- and for some operating purposes, it is convenient -- to set them out briefly into a few broad categories.

We have for more than a century been charged with the mission of helping to enhance the efficiency of the farming, food, fiber, and forest economy in the United States. From research on through to application, our mission includes efforts to diminish costs while, at the same time, finding means to help people earn a decent income. This has been one of our major areas of collaboration. It has been done -- as have our other missions -- not in the interest of farmers or firms or industries, but in the interest of the public of the United States. It has served us well.

Then, a large number of activities might well be classified under the general mission of benefiting our people as consumers. Our work in nutrition and in product development are excellent examples. Another is our comprehensive battery of consumer protection devices. Our work in the measurement of preferences has contributed directly to the public welfare. Perhaps food programs -- school lunch, needy families, food stamp, disaster feeding -- might also be considered as major components of our mission to consumers.

Another mission reflects the increasing responsibility we bear for the wise use and maintenance and development of public resources. In many instances, private individuals cannot -- or, for a variety of reasons, should not -- undertake these activities. This has been a major part of our program for many years, and it is expanding. Much of our work in the Forest Service, Soil Conservation Service, Rural Electrification, and similar resource-oriented elements of the Department would fall under this heading.

Then, in recent years, new programs designed to facilitate equality of economic opportunity and to contribute to economic growth and stability have been centered in the Department and the Land-Grant system. Among these are stabilization programs -- of many types. Their basic purpose is to mitigate the harsh pressures of rapid technological change, to assure equality to various occupational groups, and to contribute directly to the growth of the American economy. This mission now involves much of the poverty program, much of the equal-opportunity activity of the Government, and efforts to mobilize the resources of rural areas in order to stimulate their growth.

In larger measure than many people think, the Department and its associates in the States have long sought to help in the attainment of essentially the same ends of equality, growth, and stability among the developing nations of the world. Such programs are clearly in our own interest as well as the interest of the nations we try to help. These have been large-scale efforts and their contributions to decency and dignity in human living may not be fully appreciated. The degree to which

they contribute to the basic foreign policy objectives of the United States may not be fully understood, either. Again, these programs have served this Nation well.

Then, trite as it may sound, the technological and economic changes which have occurred in the food and agricultural economy of this Nation have probably been greater in scope and impact in the last three decades than in all of the years before the close of the second World War. Accordingly, it has long been part of our mission -- again, in the interest of the public at large -- to facilitate the adjustment of enterprise and institutions to this pervasive pattern of change. And we are trying to do so without breach of the basic values of freedom, innovation, and enterprise upon which this Nation has been built.

Finally, there has always been among our missions a charge systematically to build the store of human knowledge and to assure its effective use by the people of this Nation. In this mission, you and we have collaborated closely for many decades, and, again, the results have been good.

The point I want to make is this: Underlying all our missions -- diverse as they may seem to be -- is an activity as old as the Department itself. It is a function that is crucially necessary to the effective achievement of any of our goals. I refer, of course, to research and to the dissemination of the findings from research.

The primary job of research is to ask questions . . . and provide answers. It takes a lot of questions and answers to achieve missions as complex as ours. Research enables us to achieve these missions in a



consistent and efficient way by identifying the variables and relationships that determine means to achieve our targets. Unless we can do that, we will hit those targets purely by accident -- if we hit them at all.

But we must look beyond the practical questions that have to be answered fully to achieve the missions of the Land-Grant universities and the Department. We will continue to find these answers only if we constantly strive to extend and build a store of human knowledge through basic research. Fundamental studies enable us to deal with the problems of the next decade . . . and the decade after that . . . and have thus become a major part of your research mission and ours.

We also give attention to developing the methodology required to answer questions and answer them more efficiently. Often, this work puts us in position to answer new questions.

Now this research or question-answering process, and the education or information-disseminating process, have been tied together from the beginning in the programs of the Department.

And resident teaching, research, and Extension education were all eventually to be joined through the Land-Grant system. The combination had a tremendous impact on the development of this country and its people.

Prior to this time, advanced inquiry had been largely rationalist -- a matter of relying mainly upon reasoning without the test of experience. Participation was restricted to fields like medicine, law, and theology . . . and limited to a chosen few.

The complementary nature of research and education gained wide recognition only after the establishment of the Land-Grant system. Then, for the first time, inquiry and teaching were integrated and made applicable to virtually any field of human knowledge.

The educational process was thus changed from a sort of patchwork of study and reading into a tough intellectual fabric.

But most important, this process was opened to anyone who was bright, willing to work, and strong enough to discipline himself to take advantage of the opportunities about him. As Senator Justin Morrill himself put it, the Land-Grant colleges were "designed to largely benefit those at the bottom of the ladder who want to climb up."

So this integrated system did far more than contribute to the growth of power and wealth in this Nation. It has provided a major instrument completely to change the status of the individual -- the most important concern of a society that puts self-fulfillment up towards the top of its list of values. The way has been opened for each American to reach his full intellectual, cultural, and occupational capacity.

Furthermore, this system has buttressed our respect for the dignity of the individual, and the toleration of responsible dissent by due process. It has cultivated the awareness of individual obligation . . . the self-discipline . . . that is really the heart of the American system of free expression. Certainly, we must have both intellectual development and also a sense of individual responsibility to make democracy work.

The Department owes a great debt to the Land-Grant system, too. The success of USDA's service to agriculture is due in no small measure to the fact that we have worked closely with these State institutions from the very beginning. The pattern of collaboration is still essentially the same today.

Take the area of research. Some questions, especially those of broad regional or national interest, are engaged primarily by the Department . . . others primarily by the States. Mechanisms have evolved over the years to keep these separate efforts reasonably complementary.

Of course, there are always constraints and limitations in the formulation of integrated research activities. Despite the difficulties, we reach agreement . . . directly or implicitly . . . as to what questions are to be engaged, by what groups of scientists, with what resources, in support of what mission.

Substantial progress is being made by our research agencies in more systematic research programming. The Agricultural Research Planning Committee, established in 1964, has a major role to play in this process. The Committee draws its membership from among research administrators in the Department and the State experiment stations, State university presidents, the National Academy of Sciences, and the Office of Science and Technology.

Effective collaboration is exemplified by the programming that has been done formally through what is now the Agricultural Research

Service. This agency -- successor to the early Department bureaus -- coordinates its work with the research of the States and, in recent years, of industry.

Altogether, we cooperate formally with the State agricultural experiment stations on about three-fourths of our farm research, and informally on most of the rest. State and Federal scientists work side by side at many laboratories and field stations throughout the country.

These joint efforts have yielded many accomplishments. There's the regional work in developing and distributing superior new varieties of cereal crops. Cooperation on beef cattle research makes it possible to use far more animals in our experiments than would otherwise be available to ARS or any one State -- and this means better results, quicker, at less cost. I'm sure that each of you can think of many other examples in your own field.

Another Department agency, the Cooperative State Research Service, also helps coordinate Federal and State research in the course of discharging its responsibility for administering Federal grants to the State stations.

These patterns of coordination have affected the scope and purpose and methods of the educational processes, for which the States are primarily responsible. Extension work has been tied directly into these processes. For half a century, there has been almost complete coordination in Extension education, though less in the area of advanced education to which research is closely related.



Collaboration in research and education has been paralleled by similar relationships in service, regulatory, and development efforts of the States and the Department.

Thus, although relatively little formal coordination of these Federal and State programs may have been directly apparent on the surface, we have in fact had effective working arrangements over the years.

I'm sure we would all agree that this is a good system . . . that it has served us well. At the same time, we must not forget that it is a fluid system . . . and always subject to change. It has changed much in the past and will inevitably change in the future.

Indeed, it is generally agreed that some changes are necessary at the present time in our old methods of coordinating research. There are several reasons:

For one thing, great changes have taken place in recent years both in agriculture and in the economy at large. While this has been going on, national and personal targets have changed while basic values have remained. The result is that there are new and different kinds of questions for us to answer if in a new context we are to develop programs that will serve our national values.

Then, too, our store of knowledge has vastly increased, and research and educational methods have been improved. To be sure, this makes it easier for us to ask the right questions, but it also raises many we didn't face before.

In addition, industry and other government agencies have greatly expanded their research in the last two decades, and this broadens the need for coordination. This expansion has created increasing but quite proper pressures on us all -- to design and rationalize our work . . . to coordinate its execution among ourselves . . . to further relate this work to that of other agencies.

It seems to me that the really relevant questions that agricultural research faces today -- in terms of both goals and methods -- are what I would call package questions. They demand the resolution of closely interrelated questions by many scientific disciplines and institutions.

For example, if one of our goals is an abundance of high-quality, reasonably priced food, then we need to find means to use the chemicals or other controls necessary to safeguard crops and livestock from diseases and pests. But that alone is not enough -- we must also find means to minimize whatever degree of hazards, if any, that may be associated with the use of these protective measures.

Or if we want to induce farmers to produce meat that satisfies consumer preferences . . . while also reducing production costs . . . we need to find answers to many different kinds of research questions. Again, we must think in terms of coordinated inquiries involving a variety of disciplines and institutions.

I want to assure you that the Department is making a positive response to this need for new approaches and improved coordination of research activities. Specifically, we are taking four steps:

First, together with you, we are reviewing our entire research effort with the idea of clearly defining our goals and setting forth the questions that need to be asked today.

We are also taking a hard look at our present priorities in the assignment of resources and personnel in research, and evaluating present use in terms of present goals. We are considering reallocations that may be necessary to get our work done more efficiently. And we are seeking to define the areas that need additional resources if our missions are fully to be served.

I think there's no question that such evaluations will be a regular part of the program planning and budgeting process in the future. And, as always, the job will call for the joint efforts of the Department and the States. We must be able to assure the program and budget makers that we have planned our research together and divided the tasks among us in such a way as to carry out the work effectively and with the most productive allocation of our resources.

Second, and again together, we are building an improved system for storing and retrieving scientific information. We hope ultimately to coordinate this system with those of other scientific and educational agencies.

We want to make it possible for scientists to get information promptly on research that has been done, or is being done, and how it relates to ongoing research or work planned for the future. Such a system will also give administrators a better basis for planning research, allocating resources, and coordinating our work with that under way in other agencies.

(more)

USDA 3483-65

The system is being designed to meet the needs of both the Department and the State agricultural experiment stations. In planning and developing it, we are working closely with other Federal agencies represented on the interdepartmental Committee on Scientific and Technical Information to insure compatibility among the several Federal systems.

Third, we are devising mechanisms that will bring disciplines and agencies together to develop the research packages that are now so clearly needed in many areas of our work.

Every aspect of a problem must be covered -- the engineers and economists often need to be brought in along with the biological scientists. And institutions with outstanding capabilities for dealing with the problem should have an opportunity to contribute.

Fourth, we are making every effort to tie research more explicitly to the Department's missions.

In this connection, I'm sure you are aware that we in the USDA -- along with other Federal departments -- have been requested to continue our critical study of all of our missions, and to develop consistent and coordinated plans for accomplishing them.

The President intends to see that all program planning, in every part of the Executive Branch, is directly oriented to mission as soon as possible. This means that we must define . . . as explicitly as we can . . . the goals we are seeking. Then we need to allocate our resources -- again, as best we can -- to achieve these goals.

Thus, the research supported by the Department must be directly related to its missions, including that of advancing and disseminating



knowledge itself. Since the missions of the States and the universities are consistent with those of the Department, we should make every effort, as we have done over the years, to design and carry out our work together.

Keeping missions always in view should help sharpen our thinking and improve our research planning. But it must not cause us to lose sight of the vital position of basic research in this picture. We must be ready to face challenging missions tomorrow.

I think we should also give more attention to seeing that we have enough top-grade scientists available to do all the agricultural research that this country is going to need.

The Department has received suggestions from many sources to explore means whereby we may contribute further to the advanced training of scientists . . . right along with our conventional support for research through contracts and grants to experiment stations and university centers. Indeed, a number of people feel we should seek ways to make fellowship and traineeship awards -- both to individuals and to institutions -- if we expect to assure an adequate supply of well-trained young scientists with an orientation to the problems of agriculture.

Steps have been taken to seek amendment to Public Law 89-106 to extend our authority to cover grants for training. We hope the Congress will consider this matter at the next session.

In summary, let me emphasize that we can look for change ahead. But I'm sure you agree that we don't intend to sit passively by to be

engulfed by change. Insofar as we can, we will guide change in order to serve our values. And where we can't guide the change, we will try to make the best possible adjustment to it.

We all feel tremendous pride in the outcome of our State-Federal relationship during the last hundred years. I believe there will be opportunity for even greater achievements in the future.

#####



U. S. DEPT. OF AGRICULTURE  
NATIONAL AGRICULTURAL LIBRARY  
JAN 6 - 1966  
C & R-ASF



7472  
p.2

U. S. Department of Agriculture  
Office of the Secretary

GOVERNMENT AND THE FOOD INDUSTRY

A businessman once was asked this question: "What was your most important accomplishment last year?" He might have mentioned a new branch or a new product. Instead, he said, "The biggest thing I did last year was to keep from going broke." He laughed but he knew that staying solvent is nothing to laugh about. Among the most important hurdles that face every business, large and small, is survival. Last year 13,500 businesses in the United States did not survive. Of that total, 257 were in the wholesale food and farm product category. This is one reason it is good to see so many of you here today.

One major element of the American system is freedom of choice -- in economics as well as in other phases of our life. It is not and never has been unlicensed choice. It is and always has been constrained by law, by custom and by self-discipline which is the heart of the system itself. It is freedom to buy, to consume, to sell and invest. It is a competitive system, which means that alternatives of sale, purchase or investment must not be limited by individual or group action. Competition means that economic activities must be honest and open and fair -- and these words are defined by law. Competitive business could not function without these rules of the road, nor could it function as it does without the public services of research, education, information, standards

---

Address by Assistant Secretary of Agriculture George L. Mehren at the annual meeting of the National American Wholesale Grocers Association, Mexico City, Friday, September 17, 1965, 11:00 a.m. (CST).

---

and classifications long made available by government. Competition means innovation in products, plants and methods of operation. It therefore means that even within the limits of lawful competitive action, there is risk and the old is often replaced by the new. Sometimes this is a harsh or even brutal process and public policy has been formulated to mitigate its impact. Yet, as in life itself, business birth is paralleled by business death, and sometimes growth seems to be matched by decline elsewhere. This is no perfect system but it is a good one for us. It has served us well and it has kept us free in matters in which freedom is precious to us.

If survival is among the first hurdles that business must surmount, achieving sustained growth is a second. Only when a business grows, and most other businesses also grow, can there be real growth and stability in the economy at large, and only then can there be optimal service to the general public.

I have said that American business, in fact and not in myth, could not function as it does today without the regulatory and service functions of government. By the same token, there could not be the growth and general stability we have enjoyed unless government ordered its affairs with the direct purpose of contributing to these goals. We have never had totally unregulated competition. It has been regulated through consciously-formulated public policy enunciated by due process. And the inherent instabilities of an unregulated enterprise system have been lessened by direct public policy from the very beginning. There can be no real division of government and business, any

(more)

more than separate meaning can be given to heredity and environment. The farming and food industries are no exception. Secretary Freeman has said that these industries are largely a miracle, and to a very little extent, a mess. I think this is true. But they are not in this or in most other aspects different from other industries.

And so, today I want to talk about the way the U.S. Government works with the food industry much as it does with all others. I want to discuss this industry-government cooperation mainly as it affects domestic marketing, because it is much the same as it carries over into export market operations.

When we take a broad look at our domestic food marketing system we begin to see why industry-government cooperation is so essential. Food marketing in the United States -- the essential bridge between producers and consumers -- is highly complex, varied, and extensive. It links a multiple of functions and decisions -- to buy and sell, assemble, transport, process, package, wholesale, retail -- in a nation that spans 3,000 miles.

Yet, these industries and all of their sectors from farm to table are vital and vibrant. They continue to rise in physical efficiency at the highest rate in our economy. They have encompassed massive technical, institutional and social change. Our people are served well and at the lowest percentage of real income thus far achieved. And yet there is, perhaps quite naturally, some measure of disquietude. Change has been so great that its basic dimensions and its future trends are not even fully known. More important, there is some question that

(more)



public and industry policies of earlier years should be adjusted to assure preservation of the values to which Americans are dedicated. At the least, many of us believe that as we have done so many times before, we should appraise the relations of business and government in the farm and food industries to make certain that our goals will be served in the future.

In the United States the retail sale of food and other farm products is a \$100 billion a year business. It is a big business, and by any standards there is none more important. Marketing today costs three times as much as production. The processing, distribution and supply sectors employ more than twice as many people as in production. This fact is a tribute to our farmers. It is a major reason for the growth of our economy.

The efficient, fair, and economical functioning of this system is vital to all of us in our country. More so than ever before, the operations of the off-farm sectors affect every American as consumer, worker and investor. And so, as the marketing elements of the food business grow both absolutely and relatively, their importance in terms of business and of public policy grows also.

Let's take a closer look at the dimensions of food marketing.

Last year the bill for marketing domestic farm-originated foods bought by U.S. civilian consumers totaled \$47.3 billion -- an increase of 4 percent over the 1963 level. Of this outlay, labor costs made up 44 percent. Other costs, such as taxes, rent, advertising, and non-corporate profits, accounted for 39 percent. Rail, truck, and other

(more)



transportation came to 11 percent. Corporate profits before taxes amounted to 6 percent.

Does this relatively modest corporate profit figure prove that the food marketing system has reached the pinnacle of efficiency? I don't think so -- in fact, the present flux of change precludes this view. It does establish that marketing costs are high and are growing. It establishes that middle-men, like producers and consumers, are being squeezed by the mounting cost of doing business. In a competitive system, all elements try always to lower their costs and often they are forced soon to pass these decreases on to consumer and supplier. High and sustained profits are not a long-run mark of competition.

But reducing costs will take some doing.

Bear in mind that the demand for farm products at the farm level can be looked upon as "derived." In the long-run, it works backward from the consumer to the retailer, wholesaler, processor, and others in the marketing chain to the farmer. These off-farm agencies, in their own and the general interest, are eager to hold down the marketing bill. Yet, in the short-run -- and a series of short-runs make up the long-run -- they are up against the very real problem of inflexible costs, such as freight, wages, rent, and taxes, which often change at different rates. Thus, typically, in the short-run, when consumer demand drops, the farmer's share of the consumer's dollar declines. The farmer got only 32 cents in the deep depression year of 1932 -- a year that engendered many changes in public policy. The reverse is true when demand is high. He got 54 cents in 1945, when war needs intensified demand and brought

(more)

forth other changes in industry-government relations to serve the needs of the nation.

We have a more recent example of these relationships. Between January and July of this year, the amount consumers paid for the market basket of food used in the indexes prepared by my Department rose from an annual rate of \$1015 to \$1072 -- a gain of 6 percent. Marketing charges, reflecting the short-term rigidities and disparities I just mentioned, advanced from \$634 to \$649 -- an increase of only 2 percent. The farmer's share, however, rose from \$381 to \$423 -- a gain of 11 percent. But, as I have pointed out, the farmer takes it on the chin when the value of the market basket is low -- and from the farmer's viewpoint, that is a situation that prevails all too often.

Yet, in this past year, distributive margins have been more flexible than others. Much of these recent changes come from shifts in supply of a few classes of products, mainly of livestock origin. Prices for some of them were very depressed only a short time ago. So, again, it is a fascinating pattern in which all seems to change except change itself. Generally, the food industry must make its own adjustments to short-term fluctuations. It must do so within the regulations of law and it may avail of services and stabilizing activities of government; but within these constraints adjustments must be made by individual enterprise at its own risk and usually for its own benefit.

It is to the interest of enterprise to reduce costs. If the rules of open entry into industry prevail, the reductions must soon be passed on in the public interest. In consequence, varying rigidity of

(more)

marketing costs shouldn't keep us from trying to reduce them. They can be and are reduced in the real sense -- not usually by any dramatic scientific or managerial breakthroughs -- but through a constant chipping away at inefficiencies and by the maintenance of fair and open conditions of competition. I'm glad to say that the chipping process -- carried on by the food industry in cooperation with Federal, State, and local agencies, is going on and continues to produce results, as it has for many years.

A major part of market change and improvement has been generated on farms, and in other parts of the economy. Much less come from the partnership of government and people. Secretary Freeman once said "It is basically a product of private enterprise; yet it could not have developed without the service, regulation, and research of the Department." Improvement in distribution is in fact based on general improvement, actually in all parts of many industries.

Let me list a few of the major improvements made in food marketing over the past 25 years.

- There has been a reduction in the number of times products are handled between the farm and the retail store and this, of course, can and often does mean savings.
- Increased mechanization at all stages has improved the productivity of labor and has reduced labor costs.
- Marketing facilities of all kinds, from farming areas through retail stores, have been improved in ways that make for more effective handling of food products.

(more)



-- More products are being processed close to the farm, with resultant decreases in processing costs.

-- The number of some types of firms or establishments engaged in processing, wholesaling, and retailing has been reduced. This has often generated economies but it has also brought fear of excessive concentration both vertically and horizontally.

From the beginning, over a century ago, the Department of Agriculture has been what President Lincoln then called it -- the department of the people. This year, when the Department established the Consumer and Marketing Service, we gave formal recognition to food marketing as a major area of public policy and to the growing capacity of our farm and food industry to serve our people.

Our Department is a major element in the research and education programs of the nation -- perhaps this has been our primary contribution. It carries the major responsibility in conserving and developing our public resources. It operates many programs designed to counter the harsh effects of short-term change in farm technology. We carry an important part of the mission to find equal opportunity for all of our people and areas through rural development programs. And finally, we have long been a partner in the efforts of our government and many others to accelerate economic development wherever the products of our farms are wanted and may be of help.

Let me try to tell you some of the specific and unobtrusive functions of the Department in the absence of which the American system



could not function -- just as in the absence of the present economy, the American government would be much different.

The consumer protection program includes such important activities as the inspection for wholesomeness of most of the nation's supply of meat and poultry. Inspection is required by Federal law for all meat and poultry products moving in interstate or foreign commerce to assure safety and healthfulness and to provide strict control on sanitation and on accuracy of labeling. Similar inspection is available for other foods -- fruit and vegetable products, egg products, and dairy products -- on a voluntary, fee-for-service basis. These services are testimony to the interest of the food industry in good, clean, wholesome products. The Consumer and Marketing Service is also responsible for services and regulatory programs. They help business itself to maintain fair and open competition, and this is a significant contribution to efficiency. For many years, these behind-the-scenes marketing aids have worked well -- and silently -- serving equally the interests of farmers, marketers, and consumers.

Daily -- and even hourly -- market news reports on many commodities and markets are a vital link in a fast-moving trade of perishable products. Nationally-uniform standards and grading are essential to our nation-wide marketing system and must be provided by government. American consumers can select meat or eggs or poultry according to quality plainly marked on the package or the products. Packers and distributors may also handle products without costly inspection of every item.

(more)

USDA administers more regulatory laws than any other Government agency in order to safeguard competition in the marketing of livestock, meat, poultry, fruits, and vegetables. These are products which are the major source of income for farmers and for which consumers spend the highest proportion of their food budget. Benefits of efficiency are passed on and business costs are lowered. There is also a system of marketing orders, through which producers can voluntarily join together under law and with government to achieve more orderly marketing, and more stable prices, for highly perishable products like milk and fresh fruits and vegetables.

It might seem from all this that we are about to enter Utopia. We have not reached Utopia, nor are we about to do so. I have mentioned the changes that are occurring in the sizes, interrelationships, and types of enterprise in our traditional marketing system that generally have contributed to efficiency but nevertheless have created difficult problems for many farmers and marketing people and for government as well.

Some of the long-established markets are shrinking or even disappearing. Producers of some products no longer sell in an open or traditional market to the highest bidder, but often deliver under specifications stating exactly what and how they shall produce, and where, when, and to whom they shall deliver the product -- and sometimes at a price to be determined on the basis of some formula. For many people, this is a new and unsettling arrangement. For others, it is of help. For some, it reduces the scope of enterprise.

(more)

Wholesaling has changed as much as any other segment. It is far more closely related to customer and to supplier alike. And the growth of retail organizations presents aspects of size previously unknown in the United States. Changes in virtually every dimension, relationship and terms of transfer transcend those of any earlier period.

There is neither approval nor disapproval in this description of change. Rather, these are developments that perplex and challenge farmers, business and government in carrying out programs originally designed to service and regulate the traditional open market system. It is a real problem for all of us to know how to adapt our operations to ways of doing business that are quite different -- to adapt them while still serving fully the values upon which all of us agree.

This concern led last year, with the concurrence of all of us, to establishing the National Commission on Food Marketing. The Commission is made up of 10 members of Congress and 5 private citizens. It is charged with studying all phases of our food marketing system -- including such things as number and size of firms, the degree of concentration of business, and the extent of vertical integration. It is asked to consider whether the goals of a good marketing system are being met -- to look not only into efficiency and services to consumers but also to consider whether it maintains competitive alternatives for buyers and sellers and an acceptable distribution of power. And it is asked to consider whether changes in statutes, policies, and regulatory activities of government would contribute to these ends.



These questions go to the heart of our competitive enterprise system and its relationship to our government and to the whole of our society, including -- not least -- all of us as consumers.

Thus, farm and food marketing are moving ever-closer to center-stage of national policy.

Few people really know the scope of our food programs to share with those who are hungry the benefits of food abundance. As one effect they expand both present and future markets for food. Yet, there are other purposes and effects of the school lunch and special milk programs, which touch more than one-third of our children, the distribution of surplus foods, which help up to seven million poor people, and the newest of the group, the Food Stamp Program which, in effect, now stretches the food purchasing power of more than one million low income people in more than one hundred communities. Surplus foods used in some of these programs are always available for emergencies -- whether caused by nature or by man. They were distributed in the aftermath of the Los Angeles riot just as they have been in the wake of fires, floods, hurricanes or earthquakes. These food programs, to my mind, are a mark of maturity as a nation. They are being used on the front lines of our national war on poverty. And under the leadership of President Johnson, I believe they will continue to grow until we can say that we have won that war.

The Food Stamp Program uses our commercial distribution system exclusively and extends its benefits thereby to a whole community. The food donation program uses commodities acquired in stabilization operations and gets them out to people who need them through state and



local welfare operations. But both have the same purpose -- to enable those who are unable to buy an adequate diet to have -- and to have with dignity -- the foods they need for good health and vigor -- and thus to help them become self-reliant and productive citizens. It is good morals and it is good economics. There is among us a growing agreement that we must help people to break out of the vicious circle of poverty that has too long held back too many from their potential as productive, self-supporting and self-respecting people.

We are trying very hard to get the school lunch program extended in cities and rural areas to the children who need it most. It's a difficult job because in many of these places the schools are in old buildings which lack the facilities for preparing and serving lunch. Sometimes poverty itself limits local contributions.

We are making progress feeding hungry people. But we still have a long way to go. And there is no longer excuse in America for any person -- particularly any elderly person, or any school child, or any pre-school child -- to go hungry.

This is another of the new directions in which policy is heading. There is not just one "farm problem" -- but many. And these are problems affecting city people as much as -- if not more than -- farmers. This Administration, and I believe most of our people, are committed out of respect for man and out of common sense to the war on poverty. It must be fought in rural America -- where nearly half of our poverty is located -- as well as in the cities. Many of the urban problems we now face in our nation are a result of rural problems that we have not dealt with in the past. We no longer think it wise to drive people

(more)

from rural areas into our already crowded and problem-filled cities, or even idly to tolerate an aimless drift. We are moving to bring economic opportunity to the countryside, along with every other part of America -- not to give bread or circuses or subsidy but to give every American opportunity on his own to earn a way of living compatible with his status as a human being.

We need help and the understanding of all the people in our country. We have had help from our business people, perhaps especially our farming and food people, and we shall need more.

So, perhaps we should look to some fundamentals. In a very real sense, as any elected or appointed politician will tell you, the American government and people are one. To my knowledge, it is a government much different from any other. It is designed to tolerate -- perhaps even to engender dissent and then to compromise it through a system of widely-diffused power. It is most remarkably responsive to majority will. It imposes upon us -- or we voluntarily accept -- the responsibility to behave with much self-discipline, to meet the obligations that all of us somehow recognize, even if we as individuals are in the minority or as a nation we are under stress.

I am biased towards my country. It is by no means the perfect creation of man. Yet, as nations go in the world as it is, ours is a good nation. We have our myths and we treasure some of them just as other nations do.

One myth is that our business and our government are totally separate and generally hostile in purpose, interest and act. This is

not true and never has been true. So long as people live in concourse, there is and must be government. So long as people trade, there must be rules of trading and people as government must formulate, approve and execute them, and do so in the interest of business and every other element of the economy. In the last third of the twentieth century, a complex economy requires provision of general services to business and other groups at large. These services are made available by people acting as government, always by due process, and they are in our general interest. We have been committed for a century to provide opportunity through public education and research, and now we are committed to provide equal opportunity in all other phases of our life. People, acting as government and through due process, have done this. People acting as government have committed our nation to develop free trade and to help abroad where help is wanted. For more than three decades, our people have decided to conduct the public affairs of our nation to contribute as best possible to growth and stability.

Neither we nor anybody else -- but certainly not we -- ever had a real system remotely like the laissez-faire concept of the old textbooks. Such a concept has never existed nor could it. Instead, we have always -- and wisely -- constrained by law the relationship among ourselves with respect to honesty and freedom of alternatives. We did this to keep individual freedom in a big nation; and it helped business, which is also all of us, just as government is. Everyone of us buys and all of us sell goods or our own service. Many of us are investors. Free choice in any of these is impossible without freely-accepted rules. We have provided -- all of us, acting as government -- the services that

(more)



have helped business in terms of efficiency and stability and commitment to peace.

Yet, with all of this, we have kept open a very wide range of human action in which each of us acting alone can make decisions alone, for our own individual benefit and at our own personal risk. This, in business or anything else, is what business means.

Probably we look as different when we act as government from what we did three hundred years ago as our business today differs from that of 1665. Yet, the values are the same; the freedom is the same and the basic structure of government, business and other elements are the same. Free men in free governments criticize themselves and their governments, and help keep both free by doing so.

In America, we live under law and we cooperate with government. I know of no part of a system where this partnership has flourished more fruitfully than in our farm and food industries.

In the food and farming field, we still have difficult questions to answer. We need to find means to keep equity in our farming sector in times when their own immense increase in efficiency leads to severe dislocation. We must find ways to give equality of opportunity. We must conserve and develop our jointly-owned resources like water and land, and even air. We must foster growth and stability at home and, where wanted, try to be of help abroad. We need to expand and unshackle both foreign and domestic trade. In the farm and food industry,

(more)



we must seek means to keep viable and independent units without throttling enterprise.

We need to keep peace and at the same time preserve the values that make peace our goal.

We are free people living in a free nation and we can keep it so.

#####

C & R-ASST  
JAN 6 - 1966  
U. S. DEPT. OF AGRICULTURE  
NATIONAL AGRICULTURAL LIBRARY

4280, 39  
m 472

U. S. Department of Agriculture  
Office of the Secretary

U. S. DEPT. OF AGRICULTURE  
NATIONAL AGRICULTURAL LIBRARY

June 2, 1965

AUG 16 1965

Marketing Challenges in the American Economy

CURRENT SERIAL RECORDS

Agricultural economists are sometimes caricatured as longhairs who live in an ivory tower where they meditate on obscure theorems drawn from a world populated by atomistic enterprises that devote their whole effort to equating marginal cost with price -- in the long run.

In simpler language, agricultural economists are often tagged as dreamers who are of little practical use to anyone.

This symposium, it seems to me, may help to dispel those notions. In actual fact, the profession of agricultural economics has long made a name for itself for keeping one foot firmly planted in the real world and perhaps a little too much, even while the other foot reaches for rungs on the ladder to the theoretical and esoteric. Agricultural economists have helped farmers to produce efficiently and to market effectively. They have learned how to provide counsel to market firms (I count not less than six such business economists on the program of this symposium). In government, they are - to put it mildly - crucial to the survival power of policy-making officials. This I have learned during my years in Washington.

This conference itself demonstrates that agricultural economists can make their knowledge and talents functionally useful. You have considered how the system of grain markets is actually organized, and how it works. You have

---

Address by Assistant Secretary of Agriculture George L. Mehren at the Symposium on Structure, Conduct and Performance of the Grain Markets of the United States, sponsored by the North Central Regional Grain Marketing Research Committee, University of Nebraska, Lincoln, Nebraska, June 2, 1965, 6:30 p.m. (CST).

---

taken note of the diverse and sometimes conflicting goals that management in the grain trade sets for itself. You have looked at pricing systems as they actually exist. You have sought to apply tests of good performance to the systems you observe. In conferences of this kind this performance test is often a tag-along that is given only cursory study at best. Yet for any marketing system there must be criteria of performance, and any economist who describes without analyzing and evaluating and sometimes proposing action is only half an economist. He is like a physician who makes a diagnosis, then dismisses his patient.

The North Central Regional Grain Marketing Research Committee has given good example in the conduct of research. This symposium itself will demonstrate the feasibility of pooling research talent for comprehensive inquiry into the marketing system for a single commodity. The Committee is to be commended also because you have surmounted many of the obstacles to effective research in regional cooperation. Not every regional research group has been so successful.

It would not be useful for me to comment at length on the particulars of your program. I prefer instead to speak about marketing challenges generally. Those challenges are a family, and the problems and opportunities in the marketing of grain are only one member of that large family. Likewise, my remarks will be directed not at your Committee, but at market research economists everywhere. More than they know, they face an ever more complicated professional task because the sector of the economy that is their arena of professional responsibility is becoming ever more complicated.

(more)



It has been an axiom among agricultural economists that production and marketing are a continuous process that begins with raw materials and ends with foods and other products in the hands of consumers. The essential internal unity of that process has often been declared. There is indeed internal unity. There is also internal difference, distinction, even conflict. The marketing sector has long had features that distinguish it from production. One way to view problems and issues in marketing today is to identify and examine those uniquely identifying features of the marketing system for farm products. This you have done at your symposium. This I will also do at least in broad sweep.

The farmer of the fields and farmstead has customarily turned a wary eye at the system and the people who sell him his supplies and who offer to buy his products. His suspicions are one reason that he has turned to cooperative arrangements in both buying and selling, so that his cooperatives might perform a yardstick function, among other things. His attitudes -- his insistence on fairness and honesty among dealers in farm supplies and produce -- has been the principal initiating cause for various services to marketing performed by Federal and State governments. Those services include research; and this symposium is therefore one of the consequences.

Nevertheless, until very recently, marketing gained only secondary attention in both farm and academic circles because it was regarded as of secondary importance. Production was regarded as in primary position.

In recent years the awareness has struck home that marketing is no longer secondary or subordinate. It has advanced remarkably in status. Dr. John A. Hopkin, who recently was named Vice President of the Bank of America,

(more)

has said that "agricultural production is now an appendage of distribution," rather than "vice versa as we have assumed." This is a strongly worded statement -- and there will be exceptions to it -- but we should consider it carefully.

As the new relative status of marketing has won attention, so too has its distinctive character. The marketing system for farm products is organizationally akin -- not so much to farm production -- but rather to the nonfarm world of trade and commerce. To be sure, agricultural marketing is affected by the special qualities of farm products, notably their seasonality, perishability, and lack of uniformity. But in all other respects the organization of the marketing system conforms mainly to the principles of organization of nonfarm business generally.

The first lesson to be drawn is that the economics of marketing is to be studied against a conceptual model the major elements of which are taken from the business world, not from agriculture as the agricultural economists once saw agriculture. A second lesson concerns not the comparative anatomy of farm production and farm marketing, but the terms of relationship between the two. By virtue of its size and its new status as compared to production, marketing has generated pressures to bring production organizationally more closely into its market-determined orbit. The result is to highlight the differences of long standing between the organizational structure of marketing and of farm production. Those idfferences were muted when marketing was deemed of farm inferior import. They are no longer so muted.

Whereas marketing in most respects draws from commerce and industry, farm production has long taproots to an agrarian tradition. The opposite of the

(more)

commercial world of corporate hierarchial structure and bureaucracy and organization man, farming at least until now has been organized in independent managerial units involving conscientious husbandry more than administrative regulation. Moreover, farm production has been linked with the marketing system by means of carefully specified terms of trade, primarily but not always those of open market buying and selling.

This kind of farming came about partly by historical accident, and also partly because ancestors of today's farmers sought that kind of farming and acquired enough political power to induce government to help them get and perpetuate it. Other features of farming also have favored that form of organization -- notably the non-simultaneity of various processes (such as planting, cultivating and harvesting corn).

This capsule view of the pressures eroding the established terms of relationship between farmers and their markets is the common thread of much discussion and disquietude among farmers and farm groups these days.

A major question at issue is how farmers can protect their bargaining and negotiating posture in this relatively new marketing system. In the long run, it is the question of whether the marketing system which, again, seems to reflect the commercial-industrial model, will extend and impose that kind of a model upon the farming sector. If it were to do so, the attributes of the kind of farming which has existed in this nation as long as the nation itself has existed would virtually disappear. Farmers would punch time clocks, ask longer paid vacations, and maneuver to climb the corporate ladder. A tract of land would no longer be known as the Jones farm but tract number thirty-seven of the land division of Amalgamated Foods.

(more)



My purpose in describing this conflict or overlap between a commercial-industrial marketing system and a partly-agrarian farming system is not to take sides in the controversy. It would be improper for me to extol or oppose either form. My purpose is to set forth a distinction that I believe accounts for much of the present agitation about agriculture and agricultural policy. The conflict explains the interest in bargaining by farmers, in new or enhanced reliance on cooperatives, and in various aids asked for independent farmers who try to prosper or sometimes just to stay alive in a competitive commercial world. The conflict is properly within the compass, it seems to me, both of marketing specialists and of policy makers.

The conflict between agrarian and commercial-industrial forces goes far to explain the interest and concern that led to establishing the National Commission on Food Marketing. The language of the law which created the Commission is noteworthy for its stress on factors other than the conventional objective of efficiency in marketing. The Commission's study is sometimes viewed as a master compilation of costs and margins data, but this is a mistaken notion. The law which created the Commission itself charges the Commission with looking into not only efficiency but how to "maintain competitive alternatives of procurement and sale in all segments of the industry;" and how to "achieve a desired distribution of power."

The legislative history of the Commission is replete with calls to consider the structural aspects of marketing, as they affect not only agriculture but all of society. Supporters of the proposal for a Commission saw marketing

(more)



as not just a sector that hauls and cans and merchandises farm products, but as one now playing a powerful instrumental role in American society.

The Commission's investigation will improve our understanding and even our language. It will help us in looking at and evaluating the various components of the modern marketing system. It will stress the structure of relationship not only between farm suppliers and the country assemblers, but also between the other successive stages in marketing -- including stages that formerly were separate but now have become telescoped up against each other. The first Commission hearing, held at Cheyenne on the subject of livestock marketing, revealed a general consciousness among all segments of the internal structural relationships of the marketing system. Cattle feeders, for example, were willing to debate the merits of direct vs. central-market selling to packers, as they have done for a generation. But as Dean Kiehl, who has given signal service as a member of the Commission, will attest, they also peered over the heads of local markets and of packers and asked how meat procurement policies of retailers and of consumers affect net returns to them.

The classic definition of farming nearly always stresses the small scale of the firm and the production of non-differentiated products, so that each unit is lost in a huge sea. The farm operator is taken to be aware of this impotence in the competitive battle. This description helps us understand how the farm economy works. The marketing system is built in opposite manner. Its units are large, and many turn out differentiated products or services. Marketing economists have had to learn a language appropriate thereto. Quite properly, William Nicholls and Oscar Hoffman and other pioneers drew on the language of

(more)

Chamberlin and Robinson. They taught us to use the terms of oligopoly, oligopsony, and monopolistic or imperfect competition. Marketing economists also employ the language of concentration ratios, regional and national, ease of entry and exit, and so on.

It is hard to modify or coin language as fast as the economy changes. Hoffman and Nicholls and their successors have usually thought about firm size and concentration within industries -- that is to say, within industries defined horizontally. Yet when the economist for the Senate Subcommittee on Antitrust and Monopoly looked into the 185 acquisitions of companies made by 42 firms active in mergers, he found that only a fifth of the acquisitions were the familiar horizontal combinations -- that is, combinations made within a single industry. Of the rest, some were vertical, but "the majority appear to have been conglomerate." Conglomerate mergers are often known by the more respectable term, "diversification." Professor Joel Dirlam points out that "Economic theory has customarily dealt with single product firms, and their behavior in different market structures under assumptions of profits maximization." Conglomerate merger or diversification confounds that comparatively simple proposition.

Furthermore, it is hard to tell from a firm's name or even its annual report just who does what in the marketing system. Private branding is the setting for a contest more vigorous than any mere sporting event. Some processors say the practice threatens to reduce them to captive suppliers. Some processors try to defend themselves by integrating forward, while not a few retailers do some of their own processing. Says Mr. E. B. Weiss, a businessman,

(more)

"marketing is indeed becoming scrambled. It will be less and less easy to determine who is a manufacturer, who is a wholesaler, who is a retailer. All three will be all three."

A Court of Appeals - and then the Supreme Court - rules on the Consolidated-Gentry merger in terms of "reciprocity." The Senate Anti-trust and Monopoly Subcommittee holds a series of hearings on "dual distribution."

These examples are sufficient to clinch the point that both the arrangements and the language of marketing as now functioning in the American economy seem always to lead the researcher a merry chase. The most diligent economist finds the state of affairs in marketing always to be one jump ahead of him -- if not more.

Marketing today would confuse any reawakening Van Winkle also by the battery of services it performs. Marketing does not just convey products from farm to consumer. It also sorts and processes and packages and inspects for wholesomeness and affixes grade or brand labels or both. It advertises and promotes and gives coupons, trading stamps, and sometimes the best dime-store pottery to boot. When the Food Commission asked distributors why their gross margins rise so persistently it got testimony on "proliferation of services." Always the explanation was that consumers want those services. Often they do, and I certainly do not challenge the statement. But many of the activities that market firms engage in do arise primarily in competitive rivalry. Moreover, finding what really satisfies consumer demand is at best a process of trial and error. Marketing will continue to provide a battery of diverse services but their make-up will always be in a state of flux, as

(more)



selection, trial and rejection continue in never-ending sequence.

To some degree and in some form, these evolutionary developments in farm marketing generally are manifest in the marketing of grain. Grain markets, however, are not themselves cut from the same bolt of cloth. On the demand side, trends are mixed. Per capita demand for cereals for human food declines steadily. Many in these industries now believe that they must fight to avoid further shrinking. On the other hand, demand for feed grains for animal feeding has expanded by leaps and bounds. Even the amount of wheat fed, I understand, has risen a bit under the new wheat program. However, the quantity fed remains small. Every couple of years total exports of wheat set a new record high, but much of the increase is in shipments under Public Law 480. Exports of feed grains, on the other hand, increase steadily, and most are for dollars.

Your program, with good reason, began with a review of the geography of grain production. In a broad sense regional relationships in production both of food and feed grains have not changed materially, nor are these patterns likely to change much. Yet within this overall stability there have been many modifications. They are accentuated by the sharpening distinctions among classes of grain for various uses, including export to various destinations. Few issues generate as much dispute as grade standards or the determination of support price differentials by class and area, or the decisions as to when and where to release grain.

The geography of both production and use of grain is highly sensitive to the structure of transportation rates. This is a subject that has suffered from unpardonable neglect by agricultural economists. Disputes arising in

(more)



transportation policy can flare up instantaneously. Last year, for instance, a reduction in freight rates on wheat from the interior to the northeast became the issue of the day in Kansas and surrounding areas because of its possible effect on the location of the milling industry. This is only the most advertised of a bagful of similar problems that will require resolution. Agricultural economists have not yet learned to put their talents fully to use in the complicated subject of transportation policy. I commend the subject to your earnest attention but I also warn that it will not respond to quick or superficial review. It requires serious and concerted analysis.

Any discussion of local and central assembly invariably introduces knotty questions of the local services to be performed, the consequence of such new practices as field shelling of corn, the location of grain storage, and similar matters that make me grateful that the research component of my own university study was related to the exotic products of the West Coast rather than the old staple wheat, corn and sorghum grains of the Plains and Corn Belt. I am still not sure which is the more difficult field of inquiry.

It is most commendable that so much of this conference has been devoted to observations on market performance, and on the related performance of services by government, rather than on mere descriptive comment on the present state of the industry. This is where you get into a true test of the efficacy of the economist's analytical tools. Degree of competition, such structural criteria as ease of entry and exit, measure of efficiency and of technological progress -- all these belong among your subjects of consideration.

Insofar as you arrive at conclusions as to the adequacy and proficiency of the services being performed by government, I can promise you a receptive,

(more)

and non-defensive, ear. We welcome suggestions. We need them. As a selected example of a problem that seems to defy lasting solution, a couple of years ago grade standards for wheat were made tighter. A principal objective was to enable our wheat to fare better in the contest for foreign markets. There has been improvement, but we still hear many reports that U. S. wheat loses foreign markets because we have not found it possible to meet quality standards with the precision that some of our competitors do. Perhaps grades are not the only answer, but an answer here is needed.

Not the least of the marketing challenges is the challenge to economists to come up with the kind of enlightening and interpretive information, and of recommendations for both private and public marketing policy, that will help to make the marketing system for grain and all farm products a model of efficiency, equity, and progressiveness.

Marketing must command more of our collective talents and attention, not less. It is more and more in this sector that the many important policy issues seem to be based.

Nor dare our posture toward it be either total deference or relentless protest. There can be no disposition to stem the tide of change. On the other hand, out of respect for our common obligation to give shape and form to our economic institutions in order that they may serve our common goals, we must, in farming, business, research and government, try to give some direction to the process of change.

(more)

Even that is not any simple or universally-accepted obligation. Beyond doubt, some constraints on business firms probably is unavoidable, just as business practices have long been kept within bounds of competitive honesty and fairness. Yet, in the American democratic tradition, there must be no action by government that violates either our informal and formal rules of due process. Our procedural powers are necessarily and properly limited and diffused and subject to hundreds of checks.

The challenges for administrative services and legislative action to guide and direct the marketing system fall ultimately upon government, both State and Federal. Yet, the formation and execution of government policy are actually generated by the people; and they are governed by the clash of many divergent interests. The second stratum of obligation reaches the profession of scholars and research scientists. This symposium is a good step in fulfillment of that scholarly obligation.

I think it is generally agreed that proficient research in marketing can help farmers, market firms, government agencies, and consumers. There are many questions yet unanswered. How can we design a marketing system for grain that not only processes and delivers its products efficiently but helps to promote and sell it -- yet does not extend itself to wasteful kinds of promotional contest? How can differentiation of product serve as a benefit to consumers but not as a weapon that expands costs too much or unduly restricts entry? How can tighter specification of quality be attained without putting supplying firms, including farmers, in satellite or captive status? How can

(more)

the benefits of new methods of transportation be utilized without throwing into bedlam various regional alignments of long standing in producing or in processing or in both?

Many more questions could be posed. You have posed more at your symposium this week.

In the best conventions of academe, you research economists also have a charge to yourselves. It is the charge to isolate and describe which problem areas in grain marketing are best suited to present or new methods of research procedure. Although some research workers, and particularly research directors, reluctantly grant the fact, not all problems are researchable. But many are. Further, the most stubborn handicap to fruitful research is to define a problem in a way that is both empirically accurate and susceptible of resolution through research inquiry. Often, the language of Alfred Marshall is a curiosity and that of Chamberlin already outmoded. Yet, these are constructs that are still useful for many purposes. This symposium ought to help in building definitions that can make research a vital, productive, beneficial undertaking. Perhaps it can also stimulate new research along lines that show bright promises. Hopefully, it would sponsor further research that is really organized and coordinated regionally.

For the marketing of foods and fibers has revealed itself as a dynamic set of institutions, powerful and versatile. It can now convert corn of an Iowa farm into breakfast cereal complete with freeze-dried fruit. It likewise turns the yellow grain into a host of industrial products. It can

(more)



take wheat from Kansas and make soft breakfast rolls for New Yorkers, hard rolls for Berliners, or bulgur or flour for hungry peoples in Asia or Africa. It can keep consumers content at home and help our international posture abroad. Marketing can supply commercial markets, and it can help protect the nutrition of hungry children in schools and of adults handicapped by age or unemployment or just bad luck. It is a reserve for disaster brought by wind or water or by man's own implements of destruction.

Marketing is the nerve center of an economy that still remains essentially decentralized and self regulated. It allocates resources and scales rewards and apports product among consumers. Its arrangements not only get a physical job done but go far to shape the institutional structure of a significant part of our economy. To restate my earlier theme, in the broadest sense and longest run the most profound question surrounding the marketing system concerns how it will influence the make-up of the agriculture of the future. Will marketing envelop farm production, converting it wholly to a commercial and industrial form? Or will it become national policy to retain an agriculture that, while technologically advanced and highly commercial, yet also retains a significant agrarian content? Will the farmer remain partly a husbandman or will he shift entirely to the wage system directed by administrative regulation and made attractive by fringe benefits?

And if it be policy to hold to a middle ground, how can it be done? Farmers themselves are experimenting with bargaining devices and marketing methods. Some farm groups are asking for new kinds of help via the arm of

(more)

government - and many of these proposals are very different from older programs.

If cooperatives are to be the link between individual farmers and the marketing system, as some leaders believe, what form should they take? What help do they need?

The report of the National Commission on Food Marketing will relate to these questions perhaps partially and indirectly. But there is no reason to pass the buck entirely to the Commission. One economist has charged that the need for a Commission study reflects unfavorably on both the Department of Agriculture and the State Experiment Stations. If true, this is far from complimentary. The responsibility for fact-finding and for policy-making lies not with any one group but with all of us. Regional research can contribute much. This symposium is at once a good omen and a major contribution. If this Regional Committee can push back the frontiers of knowledge about marketing just a little way, it will earn respect and appreciation that are not regional, but national.

-----

The Country's Stake in the Farm Program

A 280.39  
M 472  
May 13, 1965  
Cof. 2

Speaking a little facetiously, but with respect and some personal gratitude, I'm glad that meetings like this seem to have been made safe for government officials like me.

An acquaintance told me the other day about the esteem in which government people now are held. The actions of this Administration, he said, have so impressed the business community that you now seem to regard us, almost without exception, as having the fluency of Winston Churchill, the wit of Victor Borge, the patience of Saint Francis of Assisi - and a big appetite for facts to boot.

To the last qualification I do believe, or at least hope, I can lay claim.

The Commodity Club has the reputation of a big appetite too - a big appetite for facts - for ideas - for plain, unvarnished talk. This is why I'm delighted to accept your hospitality - and to use your podium tonight. I've come here to talk plain unvarnished facts about agriculture, and specifically about your stake in a good farm program.

Some five weeks ago President Johnson sent to the Congress his recommendations for changes in the farm commodity programs. And as has happened almost invariably since such programs began more than 30 years ago, a fundamental debate was immediately resumed.

---

Address by George L. Mehren, Assistant Secretary of Agriculture, before the Commodity Club, New York, N.Y., New York Hilton, May 13, 1965, 7:30 p.m.  
EDT.

---

The central question of the debate is this: WHY DO WE NEED FARM COMMODITY PROGRAMS ANYWAY?

The answer is quite simple: We need farm commodity programs because they are essential to commercial agriculture and because agriculture is essential to the kind of America you and I want for ourselves and our children.

To put it another way, the farm commodity programs have been and are part of this country's ticket of admission to the Age of Abundance.

One of the really authentic success stories of the modern era is the agriculture story of the past three decades.

Consider these facts.

Thirty years ago one person out of four in our population lived on a farm. Today only about one out of 15 lives there.

Thirty years ago we had 7 million farms in this country. Today we have only 3½ million.

Thirty years ago one person working in U.S. agriculture produced enough food and fiber to supply his own needs and those of nine others. Today one farm worker produces enough for himself and 31 others.

In Europe today, by contrast, the average farmer produces enough for 10 persons, and in Russia, enough for only four or five.

We have been blessed in this country with the most explosive increase in the productivity of farming the world has ever seen.

The one-fifteenth of our people on farms, operating only half as many farms as 30 years ago, feeds a population that has grown by 50 percent - feeds it better than ever before - and feeds it for a smaller chunk of its take-home

(more)

USDA 1517-65



pay than ever before, here or anywhere else in the world.

Americans spend only 18½ percent of their take-home pay for food. In Russia, for a much poorer diet, the average family spends 50 percent - in Japan 45 percent - in the United Kingdom 29 percent.

Because of this tremendous agricultural achievement our people in this nation know a better life. By and large, they accept food abundance as casually as they do the air they breathe or the water that bubbles up with the push of a fountain button.

Nor is this all. The effects of American agricultural abundance are felt worldwide.

Thirty years ago the threat of famine was still a spectre that stalked the world. Today there is no famine anywhere in the free world - and there has not been for at least 15 years - largely because food from America and other surplus producing countries can be, and has been, brought in to meet needs whenever they occur. Our agriculture not only provides for our own people - it sends exports of food and fiber to 125 countries around the globe.

Today, for the first time in history, building largely on new agricultural know-how, people are able to talk with sober confidence about the free world's ability to wipe out hunger - not in some far distant era but within the decade that lies just ahead.

If that isn't a success story, you tell me one that is.

But here's the paradox. The farmer who has been the principal architect of abundance - the builder who has produced food abundance - is far too commonly

(more)

USDA 1517-65

branded as a failure- as pampered - as subsidized - as a drag on the economy.

Our people look at agricultural success, and profit by it - then some of them condemn it.

They look at an amazingly effective agricultural free enterprise system and benefit by it - then some of them inveigh against it.

Meantime the farm segment of the economy is the least rewarded and least applauded of any major segment of the nation's productive structure.

In the face of agricultural performance, it seems incredible - but only one out of nine farm operators earns a return of 5 percent of his investment, plus a wage comparable to that of a skilled industrial worker, or \$2.46 an hour.

It seems almost unbelievable - but between two and three million farm operators, out of the total  $3\frac{1}{2}$  million in the United States, get less than a 5 percent return on investment and the national minimum wage of \$1.25 an hour.

The average net income from farming per farm last year was \$3,642 - and that was a 20 percent rise over 1960.

The average per capita income of all farm people - from all sources including off the farm jobs - was \$1,405. That's about three-fifths of the per capita income of nonfarm people.

Obviously, this is bad for farm people. But it's bad also for the whole nation - economically and socially - because our economy is based, among other things, upon the premise of a reward for building a better mousetrap.

(more)

USDA 1517-65

In the American tradition, increased efficiency does and should result in lower prices - but it is completely against that tradition that it should result over long years in lower income for those who made the increased efficiency possible. Yet this is precisely what has happened in agriculture,

I'm not talking only about farms that are too small, too poorly equipped, or whose operators lack the management skills to produce enough product to provide a minimum decent family living.

I'm talking about the efficient, commercial family farms, reasonably adequate in land, machines, labor and management resources - the farms that produce from 80 to 90 percent of our commercial sales of food and fiber. These are farms that have proved their ability to provide good earning opportunities if the supply-demand situation is fairly well balanced and the prices received for farm products are in line with prices of other economic goods.

The trouble is that between 1952 and 1960, total farm output increased by 19 percent, while population increased by only 15 percent. The carryovers of farm products climbed to record peaks. We had enough wheat on hand, for example, to carry us for two full years. As supplies mounted farm commodity prices dropped - while farm costs of operation steadily rose. The result was that although farmers produced 19 percent more product in 1960 than in 1952, they had 19 percent less net income to show for it.

Even in that period of increasing cost-price squeeze, however - the period of the 1950's - farmers were able to survive, but only because they were aided by commodity programs.

(more)

USDA 1517-65



True, the programs did not adequately control supplies. And it was during this period, therefore, that the outcry against the farmer as pampered, subsidized and inefficient reached its climax. But they did make the farmer's survival possible.

During the past four years we have exerted vigorous and continuous efforts to improve the commodity programs by making them fit current, changing circumstances.

We have concentrated on improving farm income while cutting down the surpluses - and we've had pretty fair success.

Net farm income during the 1961-64 period averaged nearly \$900 million a year higher than in the 1957-60 period.

The carryover of wheat has been cut 36 percent - from 1.4 billion to 900 million bushels. Feed grain holdings have been reduced by about a third from the record 85 million tons of 1961. Total grain stocks will be 1.5 billion bushels less at the end of this marketing year than at the end of the 1960 season. These reductions in government holdings are saving taxpayers about a quarter of a billion dollars a year. If you estimate the surpluses that would have been produced if the programs existing in 1960 had been continued, the savings achieved by the new programs mount up to several billions of dollars.

Besides improving farm income and cutting down wasteful and costly surpluses, our farm commodity programs have two other major purposes which are often overlooked.

(more)

USDA 1517-65



They stabilize supplies - and therefore prices - for consumers as well as for producers. A very good example was the way the sugar program prevented speculative hoarding and a price runaway in 1963 and 1964. Because of poor crops in several major areas, notably Cuba, Russia and Eastern Europe, world sugar supplies fell to a dangerously low point. Our sugar program, however, has assured adequate supplies in this country. No shortage developed here. This fact was widely publicized and sugar prices in the United States, after a short spurt, dropped to and remained within a fairly normal range.

The commodity programs are thus also designed to help assure consumers that they will have an abundance of food and fiber at fair prices - and the history of the past 30 years testifies eloquently to their success.

But - and perhaps most important of all - the objective of farm commodity programs is also to safeguard and maintain our free enterprise, family farm system of agriculture, a system that has proved itself to be far and away the best mankind has yet been able to devise.

It is sometimes contended that the operators of large, efficient commercial farms - the farms we depend on most of all for our abundance - would be relatively unaffected if these programs were eliminated. The truth is that operators of these farms need the programs most of all.

Take some of the agricultural elite, the specialized cash grain and cotton farms with gross sales of over \$40,000. In the past three years, with price supports and acreage diversion in effect, these farms had net

receipts averaging over \$10,000 per year. Without these programs, and with prices dropping to world levels, the average specialized farm would have lost more than \$10,000 a year instead of netting \$10,000.

Studies by both private and public agencies show that without the commodity programs, net farm income over the past three years would have averaged only about \$6 billion a year, instead of \$12.6 billion.

This level of income would spell bankruptcy for commercial agriculture and disaster for rural America. But it would also mean unemployment in stores and factories, shutdowns in the great industries that sell farm equipment and supplies, a sharp drop in the consumer industries that service our farm people. The repercussions would be felt throughout America even in such a metropolis as this. Growers, millers, shippers, exporters, retailers, wholesalers - consumers too - everyone would suffer.

We must never forget that farm families are prime consumers of the goods America produces.

They spend more than \$29 billion a year for goods and services related to agricultural production. They use more petroleum than any other industry. They use six percent of all the rubber consumed in the United States each year. They use a third as much steel as the automotive industry - around five million tons a year.

Then they spend another \$12 to \$13 billion a year on family living - for clothes, cars, furniture, medicine and other products as well as services which have origin in towns and cities.

Farming itself employs over 6 million workers. In addition, three of every 10 jobs in other employment are related to agriculture. About 10 million Americans have jobs storing, transporting, processing, and merchandising the products of agriculture.

These facts indicate the growing complexity of our economy, and the necessity that American farmers have sufficient income to play their full role.

Our agriculture has served us well. It is serving us better every day of our lives. For the abundance they provide, our farm people deserve a fair return in the market place. When the facts are made clear to them, the American people are agreed on that.

And the American people are agreed, further, I think, that agriculture deserves and needs the best commodity programs that can be provided - programs closely attuned to the times - programs that will get maximum results per dollar of tax money spent.

These are the two major objectives of the recommendations President Johnson sent to Congress last month in the proposed Food and Agriculture Act of 1965.

Let me tell you briefly what this Act entails.

First, it would extend with some improvements the existing wheat and feed grain programs. These programs have amply proved their usefulness. They have enabled producers to earn more income. At the same time, they have cut back the wheat and feed grain surpluses with big savings to taxpayers.

(more)

USDA 1517-65



The current wheat program utilizes marketing certificates as a method of pricing wheat at different levels for domestic and export use. This reflects the growing importance of world markets relative to domestic markets, and of potential uses of wheat as a feed grain as well as a food grain.

This basic policy would be continued under the proposed legislation for 1966 and 1967.

The biggest change in the program would be authority to increase the maximum level of price support on wheat used for human food in the United States.

The combined value of domestic marketing certificates and loan rates for 1964 and 1965 has been \$2. Under the new program for 1966 and 1967 the combined value could be at full parity, or about \$2.50 a bushel.

By making full use of this provision in 1966, producer returns could be increased by at least \$150 million. Export subsidy costs could be reduced substantially.

The voluntary feed grain program - which was first enacted in 1961 - would be extended. All major features of the present program would be continued.

For rice, the bill authorizes a marketing certificate program in place of the present price support system. There would be two levels of price support for rice. Marketing certificates would be issued on the portion of the crop used domestically - about 35 to 40 percent. Small producers, however, would be eligible for certificates on a higher percentage of their



crops. Total support on the domestically used portion of the crop would be in a range of 65 to 100 percent of parity. The loan rate for all rice would be near competitive world prices.

The bill would extend the wool program and it would enable the small wool producer to get a larger income.

The last two parts of the bill provide for a long-term Cropland Adjustment Program and would authorize transfer of acreage allotments among farms within States.

The biggest effect of the new legislation would be higher incomes for wheat and rice producers at lower program cost for taxpayers. Producers will get more income out of the market and less out of tax dollars.

The biggest question in the public mind is: How will this affect consumers? If the increased value of the wheat certificate is passed on to consumers, the cost of wheat in a loaf of bread might be raised by about seven-tenths of a cent. As for rice, the new program might raise the farm cost about two cents a pound.

The total effect of both increases would be a rise in the cost of food for an average person of about 3.6 cents a week - or about \$1.87 a year.

We do not regard this as unfair to consumers. In the past four years the average American family has spent a smaller proportion of its income for food as take-home pay has sharply increased.

(more)

USDA 1517-65

In addition, we have been making better use of agricultural abundance. Both the quantity and quality of surplus food distributed directly to needy families have been greatly improved - with the result that over 6 million needy persons now receive a better diet. By the end of this summer the Food Stamp Program will be enlarging the food purchasing power of a million persons in low income families by more than a third. And, as you know, a series of programs has recently been launched designed to help millions escape from poverty.

The simple fact is that the farmer is entitled to a fair return in the market place just as much as any other producer in our economy. It makes more sense to use the dollars we save through an improved farm program to provide the food which low income families need. Poverty is no excuse for the creation or continuation of more poverty.

In any event it has become abundantly clear that our farm people cannot get a fair return, cannot achieve parity of income with the rest of the economy, unless and until they achieve more of it in the market place. The program changes we recommend will enable us to move in that direction.

I hope I've answered the question posed at the beginning of my remarks:  
WHY DO WE NEED FARM COMMODITY PROGRAMS ANYWAY?

I hope I've helped you understand your stake - and the country's stake - in such programs.

I hope I've shown you that we are making progress and that you agree that we must go on in this direction. We must strengthen our programs so

(more)

USDA 1517-65

that they in turn will strengthen our family farm agriculture - so that the American consumer may have increasing abundance at fair prices - so that the American taxpayer will get a maximum of return for every dollar spent.

President Johnson has said, "Farm policy is not something separate. It is part of an overall effort to serve our national interest, at home and around the world."

Because farm policy is not something separate - but the concern of all our people - we are continuously seeking the cooperation of business and other groups in telling the agriculture story.

Because farm policy is not something separate - but is your concern - we are having this dialogue tonight. We think it particularly urgent that groups such as this understand the proposed farm bill. Your thoughts, your judgments, your voices are influential and meaningful.

Because farm policy is not something separate, we know the President's proposals will receive your earnest consideration.

We dare to hope they will win your support.

-----

USDA 1517-65





May 11, 1965 el

A LOOK AT FARM POLICY

AUG 10 1965

CURRENT SERIAL RECORDS

I'm delighted to have the opportunity to join you at the 62nd Annual Meeting of this highly respected association.

You have asked me to talk about the direction in which farm policy is moving.

I think I can best do that -- and do it briefly -- by citing the goals at which we aim.

In his agricultural message last February President Johnson defined our farm policy in terms of five basic objectives.

1. An abundance of food and fiber at reasonable and stable prices for the people of the United States.
2. Effective use of our agricultural resources to promote the interest of the United States and world peace through trade and aid.
3. A workable balance between supply and demand at lower costs to the Government.
4. Opportunity for the efficient family farmer to earn parity of income from farming operations.
5. Parity of opportunity for all rural people, including new opportunity for small farmers.

---

Address by Assistant Secretary of Agriculture George L. Mehren at the Annual Meeting of the Biscuit and Cracker Manufacturers' Association, Drake Hotel, Chicago, Illinois, May 11, 1965, 10:30 a.m., CDT.

---

These are the goals we seek.

This is the general direction in which we expect to move.

You have asked me more specifically to talk about the direction in which price support programs are going -- and especially the direction of the wheat program.

Early last month, the President sent to Congress a number of specific program recommendations -- the Food and Agriculture Act of 1965.

Obviously you are concerned about what these proposals mean to the wheat industry -- to growers, millers, processors, wholesalers, retailers -- and also to consumers.

The proposed bill would continue and improve the existing voluntary wheat program.

The current program, as you well know, utilizes marketing certificates as a method of pricing wheat at different levels for domestic and export use. This reflects the growing importance of world markets relative to domestic markets, and of potential uses of wheat as a feed grain as well as a food grain.

This basic policy would be continued under the proposed legislation for 1966 and 1967.

The biggest change under the new program would be authority to increase the maximum level of price support on wheat used for human food in the United States.

(more)

The combined value of domestic marketing certificates and loan rates for 1964 and 1965 has been \$2. Under the new program for 1966 and 1967 the combined value could be at full parity, or about \$2.50 a bushel.

Domestic marketing certificates for 1965 are valued at 75 cents, and the national average loan rate is \$1.25. Under the legislative proposals, if the loan rate remains at \$1.25, domestic certificates could be valued at 50 cents more than in 1965, or at \$1.25 a bushel.

By making full use of this provision in 1966, producer returns could be increased by at least \$150 million. Export subsidy costs could be reduced substantially.

The other important provisions of the existing wheat program would remain in effect. These include authority for establishing national and farm acreage allotments; for making wheat and feed grain acreages interchangeable; to offer payments for additional diversion below the acreage allotment; and optional provision for export certificates.

The effect of the new legislation, therefore, would be higher incomes for wheat producers at lower program cost for taxpayers. Producers will get more income out of the market and less out of tax dollars.

How will this affect consumers?

The increased price for domestic wheat would probably add three-quarters of a cent to the cost of the wheat in a pound loaf of bread. We would anticipate this cost to be treated the same as other cost items -- transportation, interest, wages, and others, and its incidence would be determined by the same factors governing any cost change.



If this added cost were to result, for example, in a one-cent increase in a pound loaf of bread, the total effect would be \$1.60 per person for a year.

Why has the Administration proposed this approach? The simple fact is that the farmer is entitled to a fair return in the market place just as much as any other producer in the economy. And he hasn't been getting it.

Using the one pound loaf of bread as a standard, we find that the national average retail price has gone up from 11.9 cents in 1947 to 20.7 cents today. Costs have risen all along the line -- but the one pound loaf of bread is still a good bargain.

The farmer's costs have risen, too. But instead of sharing in the bread price increase, the farm value of the wheat in that one pound loaf dropped from 3 cents to 2.5 cents. Or to put it another way, the percentage value of the wheat in that loaf fell from 25 percent to 12 percent.

What has happened to the farmer is that his productive success has not been of full benefit to him. The greater the miracles of production he wrought, the lower his income fell. In the American tradition, increased efficiency does result in lower prices -- but it is completely against the American tradition that increased efficiency should penalize those who are responsible. But this is what has happened in agriculture.

While farm production between 1952 and 1960 increased by 19 percent, farm income dropped by 19 percent. This disastrous trend has been reversed. Farmers over the past four years have averaged 900 million dollars more per

(more)

USDA 1445-65



year than they did in 1960. Nevertheless, agricultural income still lags far behind the advances achieved by other segments of the economy.

Less than 400,000 farmers now earn a return of 5 percent on their investment, plus a wage comparable to that of a skilled industrial worker. On the other hand, between two and three million farmers, after allowing a return of 5 percent on investment, earn less than the national minimum hourly wage.

It has become abundantly clear that our farm people cannot get a fair return, cannot achieve parity of income with the rest of the economy, unless and until they achieve more of it in the market place. The program changes we recommend will enable us to move in that direction.

At the same time, we must, and we will, make sure that changes in farm policy do not involve a depressed diet for low income families.

The dollars we save through an improved farm program can be used to provide the food low income families need. Surely it makes more sense to do this than it does to discriminate against the farmer in order to favor the consumer by \$1.60 a year!

The experience of the past four years clearly shows that we can provide food abundance for all.

The average American family today spends a smaller proportion of its income for food than it did in 1960, because its take-home pay has sharply increased. In addition, we have been making better use of our food abundance.

(more)

USDA 1445-65

Both the quantity and the quality of surplus food distributed directly to needy persons have been greatly improved since 1960 -- and the result is that over 6 million needy persons now receive a better diet.

By the end of this summer the Food Stamp Program will be helping a million persons in low income families -- enlarging their food purchasing power on the average by more than one third.

And, as you know, a series of programs has recently been launched to help millions escape from poverty.

The proposed farm legislation, in short, would enable us to act in the best interest of both the consumer and the farmer.

Let's turn now to another commodity which is of major interest to you -- sugar. The 1964-65 sugar crop, fortunately is a bumper one. Our Foreign Agricultural Service estimated it at about 66 million short tons -- the biggest sugar crop of all time. Sugar production is increasing all over the world. For the first time in four years world stocks of sugar will not decline. Instead, more than 3 million tons will be added to the dangerously low supply that was on hand at the beginning of the 1964-65 crop year.

The result of this sudden upturn in production has been a remarkable drop in world prices. This, of course, is bound to result in increased consumption of sugar. Even so, the big crop will enable inventories to be replenished.

(more)

USDA 1445-65

Here at home Secretary Freeman has used his general powers under the Sugar Act to discharge his statutory obligations even though the principal foreign quota provisions of the Act expired at the end of December 1964. He has prorated the quota for foreign countries, other than the Republic of the Philippines -- which does not have a statutory quota -- on the basis of imports during 1963 and 1964 with double weighting for the latter year.

The Department intends to recommend to the Congress that a system of import fees be resumed beginning in 1966. The absence of such fees in 1965 has required some regulatory staging or scheduling of foreign imports. Otherwise a rush of imports early in the year would have defeated all efforts to maintain an orderly market and a stable price. Fortunately, an orderly domestic market with prices in line with the Sugar Act price objective has been maintained.

We have come out of the sugar problems created by the Castro regime fairly well. Before the days of Castro, our close working relationship with Cuba provided a sound underpinning for our sugar policy. When Cuba became an unreliable source, there were fortunately large quantities of otherwise unsalable sugar in many countries of the world available for the U.S. market. Then, as world stocks began to dwindle beginning with the 1961-62 crop year, our own production began to increase. We had very good crops of domestic sugar in 1963 and 1964.

In fact, production improved so fast that it has become necessary to restrict both the 1965 sugarbeet and mainland sugarcane crops.



All in all, sugar users have little reason to fear either short supplies or inflated prices in the immediate future.

Another subject of current interest to this group is the National Commission on Food Marketing. Marketing today is growing in complexity as well as in size and importance. Old and familiar patterns are giving way to entirely new ways of doing business, new relationships between the parties involved in marketing, new dimensions in size, and even entirely new marketing channels.

In this process of change some people and some firms are hurt. Some fall by the wayside. In addition there is much that is not clear about the changes and challenges in marketing today. These are the reasons that we now have a National Commission on Food Marketing. The Commission has a distinguished membership from business, agriculture, the professions and public life. It has a highly qualified staff.

The Commission has set up its study to include five broad subject areas: retailing, meats and poultry, fruits and vegetables, dairy products, and bakery and cereal products. Its staff is assembling information from available sources. A series of public hearings is being held.

In the subject area with which you are most concerned, Dr. George E. Brandow, the Executive Director of the Commission, has said that the studies will "emphasize the structural problems in long-established areas, such as baking, as well as new products, new processes, and product differentiation in dry cereal products and prepared foods." He also said that "the price

(more)

USDA 1445-65



spread between the farmer and the consumer will be carefully scrutinized. We will obtain the best data we can to show what makes up the price spread -- labor costs, advertising, containers, transportation, profits, and so on."

I commend the work of the Commission and its program to your attention -- and I urge you to contribute whatever help and cooperation you can.

As Dr. Brandow has said, it would be too much to expect the Food Commission to arrive at final solutions to all the major problems of the food industry. But we hope, along with him, that it will bring them into sharper focus and will have significant recommendations to make about several of them.

We hope it will give us some perspective on the extent to which firms are becoming larger, fewer, and more vertically integrated -- and why these changes are taking place. We hope it will tell us useful things about how these changes are affecting the efficiency of the food industry, the bargaining power of different groups within it, and the maintenance of fair and effective competition.

We hope it will advise us on the ways in which regulatory activities of government are outmoded, ineffective, or otherwise in need of revision. In short, we hope it will tell us how we can maintain and improve the efficient, competitive kind of industry that is in the best tradition of American private enterprise.

(more)

USDA 1445-65

So this year -- 1965 -- is again a year of appraisal and of decision. For the first time, the Nation is taking a close look at the entire food marketing system with a view to improving its services. This is in the national interest. It is also in your interest. We would all agree that our food marketing system in general has worked well. It has helped bring our people a standard of living never known before. However we would also agree that we can make the marketing system better -- and the way to do it is by the concerted efforts of industry, agriculture, government, and consumers, all working together.

This year we will decide the future of the farm commodity programs -- again a matter of supreme importance not only to agriculture but to the whole nation.

This nation needs a productive commercial family farm agriculture -- and effective commodity programs are vital to that need.

Economic studies by private and public agencies alike agree that without the commodity programs net farm income over the past three years would have been cut in half.

Instead of averaging around \$12.6 billion per year, farm income would have dropped to about \$6 billion.

This would have been a catastrophic blow. It would have brought disaster to agriculture in every sector of the Nation. But it would have done more -- its crippling effect would have been felt in all of rural America, in every town and hamlet, in every city big or small, and in every metropolitan

center from Boston to Los Angeles and Miami to Seattle.

It isn't only that we need commodity programs -- we need the best that can be provided. We need programs closely attuned to the demand of the times.

In this year of decision we must determine whether we are going to get the maximum in program results per dollar of tax money spent -- such as would be achieved under the new farm proposals.

We believe that most Americans will agree that the Food and Agriculture Act of 1965 makes sense.

But whether or not the people arrive at this conclusion, it is vital that the facts about the program be understood. Only in this way can wise judgments be made by all interested groups and individuals, and ultimately by the Congress.

We consider it particularly urgent that organizations such as yours understand this farm bill. You are a connecting link between farmers and consumers, and between farmers and other business people. Your thoughts, your judgment, your voice are meaningful.

We know the new farm bill merits your consideration.

We hope it will win your support.

----





4280.39

472  
U. S. Department of Agriculture  
Office of the Secretary

cop. 2

April 20, 1965

Wheat Products and the American Consumer

Tuesday, April 20, has been a productive day. If you are in the habit of marking down days in which significant events occur, today certainly qualifies.

For the first time within memory of anyone in this room, all segments of the wheat industry -- from growers to retailers -- have come together to support a coordinated education, promotion and research program on wheat and wheat based products.

Cooperation and concern for the industry as a whole by the industry as a whole is possible, and the attitudes these two words express is a welcome contrast to an industry where cooperation and concern were sometime noticeable by their absence.

Thus, the farmer cannot safely say that his concern ends with having produced an abundant crop, for he is vitally affected by the attitudes which the consumer holds for the products which are made from wheat.

The same thing can be said for the milling, baking and manufacturing industries that use wheat. The baking industry, for example, cannot safely be concerned with only the technical needs for producing a loaf of bread efficiently, nor can the miller concern himself with the single task of grinding wheat.

Let me say quickly that I know full well that every segment of the industry has been and is concerned with the ultimate product that reaches the consumer, for the likes or dislikes of the consumer determine whether the industry as a whole does well or poorly.

But until now, each segment has sought to go at this task from its own viewpoint, and each tends to see the problems from a somewhat different perspective.

---

Address prepared for delivery by Assistant Secretary of Agriculture George L. Mehren at a dinner sponsored by the Pro Tem Committee for Human Nutrition Research on Wheat, 8 p.m. Tuesday, April 20, Washington Hilton Hotel, Washington, D. C.

---

The producer -- who numbers in the millions -- looks at a market for mass volume, and if consumption tends to be stable year after year, he begins to look for markets which will grow in proportion to his increasing productivity. He is attracted increasingly to world markets.

The miller -- who numbers in the hundreds -- also looks at a market that tends to be stable but he sees that flour consumption has declined substantially on a per capita basis as fewer and fewer families bake their own bread. His reaction is to develop consumer products that have built-in conveniences. Thus, the use of prepared flour mixes has increased substantially since they were first introduced after World War II.

The baker and manufacturer of wheat based products -- who number in the hundreds -- look at a market that has changed relatively little since World War II. Consumption of commercially prepared bread has declined very little, and the commercial baker has sought to devise products -- such as cakes, rolls and pastry -- which will have a longer shelf life, and which will enable him to expand his volume.

The result is an industry which is outward looking in some respects but which tends to compete for existing business in a market that generally does not grow as rapidly as our population increases.

Since 1909, flour consumption has declined in the U. S. from 213 pounds per person to about 116 pounds today. Prepared flour mixes and bread type rolls are the only products that have provided a growing market, and without these the decline would probably have been greater than it was.

Everyone seems agreed that this trend is the result of natural consequences. Meat, poultry and vegetables have become increasingly abundant year around, and these products have greater consumer preference. As consumer incomes have increased, the consumer is better able to follow his preferences.

(more )

USDA 1240-65

To further complicate the matter, as our civilization becomes increasingly technical -- where brain power is increasingly substituted for muscle power -- the need for high energy food such as grains has declined. The advent of the diet conscious age in which weight control is recognized as a health factor as much as a question of appearance has also had its effect.

All of these changes in a restless and dynamic society pointed long ago to the need for a sustained and intensive research and promotion program on wheat and wheat products coordinated with an educational effort on an industry wide basis. But there has been only isolated and largely uncoordinated efforts in this direction until now.

Five years ago, leaders of the industry began an important step to reverse this situation. They formed the Pro Tem Committee on Human Nutrition Research on Wheat, and the result of their work is now before you in the Program of Proposed Research they are recommending.

Late last year a second effort got underway designed to encourage all segments of the industry to work more closely together. It began simply enough. Some of the leaders in the baking industry who were concerned with the need for cooperation in the place of conflict among the segments of the wheat and wheat products industry came to the Department and found that we shared their concern. Prior to that time, I am sure the impression had been formed that the USDA was concerned only with the interest of the farmer. We are vitally concerned with the interests of the farmer for a decent return for his labor, skill and investment, just as we are concerned that all segments of the food industry receive a fair return for their labor, skill, and investment.

Secretary Freeman said it best last week in this way: "In the absence of a fair return to agriculture, we will not, in the long run, get the people and the resources we must have in farming if the abundance we enjoy today is to be assured for tomorrow.

(more)

USDA 1240-65



"I believe the American consumer, if approached with fair and sensible reasons, will agree that the farmer is entitled to a fair return in the market place just like labor and business and the professions."

Out of this first meeting came a proposal for a second meeting of persons broadly representative of the baking and milling industry. The Secretary extended the invitation for this conference on the basis of his hope that some means of furthering the common interests of all segments of the industry would be forthcoming.

As a result, a special Organizational Development Committee of nine people representing growers, millers, bakers and manufacturers was formed. The Department agreed to provide a temporary chairman and whatever technical assistance was needed while a basic organizational plan for a permanent research, promotion and education body was developed. We stand ready, willing and able to help any commodity group in its efforts to help itself within the framework of the national interest.

Today, the plans for the permanent body have been adopted and the proposals have been made for a sustained research program.

Thus, the basic structure for more effectively meeting the challenge of change within the wheat and wheat product industry has been completed. At this point, we will step out of the picture with the promise of our continued interest and support. The future is up to you, and to the use which you make of this organization.

There is much which bodes well for your success.

Research in new product development has done much in other food industries to reverse the trends which were similar to those in your industry.

Per capita consumption of potatoes, for example, had been declining for years. Consumer preferences which shifted to meat, poultry and vegetables were largely responsible. This trend continued until a series of new processes came

(more)

USDA 1240-65



from the research laboratory in the form of potato flakes and granules. The development of frozen potato french fries and other special processed forms also came along. As a result, per capita consumption, which had declined seven pounds in the decade of the 1950's, has been halted today and the evidence shows per capita consumption on the rise.

Similarly, the deveopment of concentrated frozen fruit juices has revolutionized the citrus industry. Last year, consumers spent more than \$250 million on frozen citrus juice concentrates, more than twice the farm value of the entire ctirus crop 25 years ago.

Animal fats are another good example. After World War II, the nation consumed nearly 1.7 billion pounds, mostly in soap. When detergents came along, consumption dropped to about 1.5 billion pounds. Today we use well over 2 billion pounds, but mostly for animal feeds and for industrial products.

There also is a lesson in the human consumption of fats. Even with the increased emphasis on dieting and weight-watching, the per capita consumption of fats in the United States has been increasing -- primarily in processed foods.

The same story can be found in the use of cotton and wool. The markets which these natural fibers have lost to synthetics are gradually being won back through innovations in processing -- wash-and-wear cotton, stretch cotton and wools, washable woolens and several other new techniques.

The experience of other food and fiber industries where research has helped to expand markets does not set a pattern for wheat and wheat based products. It merely shows the way, for the secret of the success in the examples I have cited largely has been imagination.

Let me emphasize, however, that more than imagination will be required. The wheat and wheat product industry has already shown an unusual degree of imagination with cake mixes, the fresh frozen breads and all the other products which enable the housewife to simply heat and serve.

In the case of potatoes, however, market research indicated that potato flakes and other processed products enlarged the total market and did not replace existing consumer uses. Thus, a key ingredient of new markets -- along with research and imagination -- is information. And today, the wheat and wheat product industry does not have the data to determine at this point whether the new products introduced today create new demands or simply are substitutes for an existing product. To gain this information requires cooperation -- and this is the purpose of the industry group which has been formed today.

And research as the Pro Tem Committee recommendations indicate, must go deeper than the development of new products and the information on their market impact. They suggest that the total knowledge of the nutritional contribution of wheat foods is essential, and will require the coordinated efforts of the Federal Government, the scientific community and of industry.

Some of their proposals may be controversial, but they are put forward in an effort to advance not only the interests of the industry, but also the welfare of the whole of mankind. In that context, they are creatively controversial. They hold the promise of progress.

Your industry, then, stands at a crossroad. You have the gift of a number of dedicated people who have provided a framework for continued cooperation in building a strong expanding market. You can choose to follow the same road as before, but there is little of promise in this.

I urge the wheat and wheat products industry to give thoughtful consideration to the work of these people who are concerned with the growth of the industry. Their cooperation should set the pattern for the industry as a whole.

I do not suggest the road they have opened will be easy. If anything, it will require greater effort and greater understanding than ever before. Disputes will arise. There will be times when it will seem to be far easier to go back to

the old ways, for at least the old headaches will be familiar and more understandable. But progress never is easy, particularly when it requires that people work together.

The time has come, however, to begin.

Let me emphasize that you begin at a propitious time. If our estimates hold true, it appears that the percapita decline in flour consumption has begun to level off. We may have reached the point where we can look forward to more rapidly increasing consumption of wheat products, and thus you can build on a rising base.

The Department will provide every possible assistance, and we will seek to insure that competitive conditions remain strong so that every segment has the maximum opportunity for progress.

In the end, the nation's economy and the people will receive the greatest benefit. An industry vigorously seeking new markets, and vigorously working together through research and education, will provide new stimulus to the total economy.

No one can ask for more, and no one should expect less.

- - - - -





11472  
Cop 2

U.S. Department of Agriculture  
Office of the Secretary  
April 19, 1965

AUG 10 1965

FARM POLICY IN THE COOPERATIVE AGE

CURRENT SERIAL RECORDS

The era we are now entering has been given many names -- the Age of Abundance -- Automation -- Cybernation -- Communication -- Innovation.

It is all of these.

But unless it is something more, mankind will have failed to learn the most important lesson of history -- at what may be the most critical moment of history.

The something more that is needed is a quality well represented here today -- cooperation.

With cooperation man can construct a world of peace, prosperity, and freedom for human development. He can safely reach out to new planets. Without it, he may destroy his own planet.

Unless this era becomes an Age of Cooperation man may be on the threshold of the Age of Annihilation.

I want to talk with you today about farm policy for the future -- and I want to talk about it in terms of an Age of Cooperation.

This year -- 1965 -- is again a year of decision.

---

Address by Assistant Secretary of Agriculture George L. Mehren before the Farmers Cooperative Commission Company, Wichita, Kansas, April 19, 1965, 12 Noon.

---

What is the future of the farm commodity programs? The existing programs for wheat, feed grains, and cotton expire this year. The wool program expires early next year. Where do we go from here?

Millions of Americans ask these questions knowing that their future will be strongly influenced by the answers. You and your 50,000 wheat producer members are especially interested. It is often assumed that the operators of large, efficient farms would be relatively unaffected if price supports and acreage diversion programs were eliminated.

The truth is that all of agriculture needs these programs -- and operators of large farms need them most of all.

Let me illustrate this by the specialized cash grain and cotton farms with gross sales of over \$40,000. In the past three years, with price supports and acreage diversion in effect, these farms had net receipts averaging over \$10,000 per year. Without these programs, and with prices dropping to world levels, the average specialized farm would have lost more than \$10,000 a year instead of netting \$10,000.

In contrast, commercial farms with sales ranging up to \$39,000 had net receipts averaging about \$5,700 over the past three years. Without the support programs many of these farms in the higher range would have suffered net losses -- but net income for the average farm in this group would still have been around \$3,000.

Economic studies by private and public agencies alike agree that without the commodity programs net farm income over the past three years would have been cut in half.

Instead of averaging around \$12.6 billion per year, farm income would have dropped to about \$6 billion.

This would have brought disaster to agriculture -- and to rural America, and to urban and metropolitan America.

But the Sunday punch would have landed first on the efficient, mechanized, successful American family farms.

We are not going to let that happen. On the contrary, the President has expressed himself as "determined that the farmers who have been efficient and successful in agriculture shall be fairly rewarded for their success." He is equally determined that small farmers and other rural people shall have the opportunity to join the march toward a better life.

Two weeks ago, as you know, President Johnson sent to the Congress his recommendations on farm legislation. This Food and Agriculture Act of 1965 is designed to:

Maintain and improve farm income.

Maintain food costs at fair and stable levels.

Make greater use of the marketplace in domestic and export sales.

Cut the cost of farm programs.

Assist small farmers by giving them special consideration in commodity programs wherever possible.



Help small farmers acquire the resources they need for an adequate size family farm operation -- or if they seek to earn a decent living outside of farming or to retire to receive fair and just compensation for their assets.

Provide a means for long-range adjustments in agricultural resources to balance supply and demand.

To accomplish these objectives, the bill has six parts, or titles. The first two would amend and extend the existing wheat and feed grain programs. Title III would provide a price support system for rice similar to that now in effect for wheat. The acreage allotment and marketing quota provisions would be essentially unchanged. Title IV would extend the Wool Act with some amendments. The last two parts of the bill provide for a long-term Cropland Adjustment Program and authorize transfer of acreage allotments among farms within States.

You are naturally interested especially in Title I, which would continue and improve the voluntary wheat program enacted last year. The biggest change would be an increase in the maximum level of price support on wheat used for human food in the United States. The new maximum would be 100 percent of parity -- or about \$2.50 per bushel -- compared with \$2.00 per bushel for domestic food wheat from the 1964 and 1965 crops.

By making full use of this provision in 1966, we expect to increase producer returns by at least \$150 million. We also expect to reduce export subsidy costs substantially.

(more)



The other important provisions of the existing wheat program would remain in effect. These include authority for establishing national and farm acreage allotments; for making wheat and feed grain acreages interchangeable; to offer payments for additional diversion below the acreage allotment; and optional provision for export certificates.

Now let's take a quick look at other commodities covered in the bill.

The voluntary feed grain program -- which was first enacted in 1961 -- would be extended. All major features of the present program would be continued.

There would, however, be important adjustments to simplify administration of the program. These changes would provide for diversion payments at levels needed to meet program objectives without a maximum limit; authority to encourage production of soybeans when such additional production is needed; and authority to make price support payments on all or a part of normal production.

For rice, the bill authorizes a marketing certificate program in place of the present price support system. There would be two levels of price support for rice. Marketing certificates would be issued on the portion of the crop used domestically -- about 35 to 40 percent. Small producers, however, would be eligible for certificates on a higher percentage of their crops. Total support on the domestically used portion of the crop would be in a range of 65 to 100 percent of parity. The loan rate for all rice would be near competitive world prices.

(more)

The bill extends the wool program and it will enable the small wool producer to get a larger income.

As for cotton and dairy, we are continuing to discuss legislative proposals with producers and other interested groups. We hope that widespread support can be found for proposals in both commodities.

Many of your members, I understand, have livestock interests. While no program is planned for livestock, we will continue to cooperate closely with producers and the meat industry to support the improvement of recent months. This year we anticipate that income to beef producers will exceed \$8 billion. This would be \$100 million higher than last year. We expect imports to continue this year near the reduced 1964 level. Meanwhile, we are vigorously developing an export market both for commercial beef and for live beef animals in Europe. These exports thus far have been small, but they constitute a real breakthrough and they could be the beginning of a steadily growing new export market.

This, of course, is a very brief summary of the commodity proposals.

The biggest effect of the new legislation would be higher incomes for wheat and rice producers at lower program cost for taxpayers. Producers will get more income out of the market and less out of tax dollars.

But how will this affect consumers? If the increased value of the wheat certificate is passed on to consumers, the cost of wheat in a loaf of bread might be raised by about seven-tenths of a cent. As for rice, the new program might raise the farm cost two or three cents a pound.

(more)

The total effect of both increases would be a rise in the cost of food for an average person of about 3.6 cents a week -- or about \$1.87 a year.

We do not regard this as an imposition on consumers. In the past four years the average American family has spent a smaller proportion of its income for food as take-home pay has sharply increased. In addition, we have been making better use of agricultural abundance. Both the quantity and quality of surplus food distributed directly to needy families have been greatly improved -- with the result that over 6 million needy persons now receive a better diet. By the end of this summer the Food Stamp Program will be enlarging the food purchasing power of a million persons in low income families by more than a third. And, as you know, a series of programs has recently been launched designed to help millions escape from poverty.

The simple fact is that the farmer is entitled to a fair return in the market place just as much as any other producer in our economy. It's better by far to use the dollars we save through an improved farm program to provide the food low income families need than to discriminate against the farmer in order to favor the consumer by 3.6 cents a week.

Unfortunately, what has happened to the farmer is that his productive success has been used against him. The greater the miracles of production he wrought, the lower his income fell. In the American tradition, increased efficiency does result in lower prices -- but it is completely against the American tradition that increased efficiency should penalize those who are responsible. And this is what has happened in agriculture.

(more)



While farm production between 1952 and 1960 increased by 19 percent, farm income dropped by 19 percent. We have reversed this disastrous trend and farmers over the past four years have averaged nearly a billion dollars more per year than they did in 1960. Nevertheless, agricultural income still lags far behind the advances achieved by other segments of the economy.

Less than 400,000 farmers now earn a return of 5 percent on their investment, plus a wage comparable to that of a skilled industrial worker. On the other hand, between two and three million farmers, after allowing a return of 5 percent on investment, earn less than the national minimum hourly wage.

It has become abundantly clear, however, that our farm people cannot achieve parity of income with the rest of the economy unless and until they achieve it in the market place.

The history of your organization indicates that you subscribe to the logic that the U.S. farmer, while aided by commodity programs, must ultimately seek economic parity through the quality of his product and the effectiveness of his production and marketing.

I'm thinking of the leadership you have provided in merchandising hard, red, winter wheat for quality markets.

I'm thinking of your program of blending wheats for milling industry.

You were, I understand, the first terminal grain cooperative to establish your own milling, testing, and baking laboratory to test the

(more)



baking quality of wheat with a view to giving millers a product that bakes better and sells better.

I'm thinking of your public relations efforts which have sent your co-op story into far-off places.

Your cooperative is adapting its operations to the requirements of the future. Farm programs must do the same, and this is precisely the purpose of the new farm bill.

The American people want to keep a productive commercial family farm agriculture -- and this bill will provide the effective commodity programs that are needed.

The American people want to get the maximum in program results per dollar of tax money expended -- and this, too, is the objective of our farm proposals. It is the common thread that runs all through the bill.

We believe the new farm bill merits your approval.

We hope it will win your support.

Its objectives are sound -- good for farmers, good for consumers, good for the nation.

It is said that no man is an island. Neither is any segment of the economy or of society. Agriculture is not an island but a part of Rural America -- Rural America is not an island but a part of the Whole America -- and America is not an island but a part of the world.

(more)

And so, farm policy in the cooperative age must be broader by far than farming itself. Farm policy is a contributing segment of this nation's total national and international policy. It is one tool in the kit out of which we seek to build the Great Society.

Our challenge is to transform this country, as the President has so eloquently expressed it, into "a place where the meaning of man's life matches the marvels of man's labor.

"... where every man can find reward in work and satisfaction in the use of his talents.

"... where every man can seek knowledge, and touch beauty, and rejoice in the closeness of family and community."

Moreover, our goal is not only to achieve this in America -- our opportunity and destiny as a nation demand that we export these concepts and objectives and help establish the means of obtaining them widely in the world.

Our farm policy therefore is a tool which seeks:

1. To protect, preserve, promote, and improve the family farm pattern of agriculture.
2. To help revitalize rural America so that rural people may have parity of opportunity with other Americans.
3. To use agricultural abundance and know-how to wipe out malnutrition and poverty at home and to use them also to stimulate economic development in the free nations throughout the world.

(more)

The time has come to write a whole new chapter in the story of American agriculture. The writing, as Secretary Freeman has said, "will take more clear thinking, more energy, more dedication, more compassion, and even more courage than all that has been done until now."

This new chapter must be the cooperative creation of many different hands holding many different pens. The writing will be done not just by farmers, not just by cooperatives, not just by the USDA, not just by our Land Grant Colleges and Universities, not just by the national farm organizations, big and small -- but by all of these combined, plus those segments of the economy whose existence and livelihood are most intimately related to American farming.

The new chapter does not imply that tried and true services are to be discarded, or that old objectives are no longer of value. Because we have added the goals of rural renaissance and ending hunger in a free world does not mean that the protection and improvement of family farming becomes a lesser goal. On the contrary, American agriculture's ability to lead the rural renaissance and the war against world hunger is precisely measured by the health and vitality of our family farms.

The role of cooperatives in service to family farmers, therefore, will continue to grow. To meet the new challenge, you will have to give not less, but more, attention to self-improvement. You have greater need than ever for sound expansion -- for increased cooperation with other cooperatives -- and for added services to save your members time, labor and energy.

(more)



This kind of progress is basic. But to meet fully the challenge of this new age -- for the cooperative movement to write its share of the new chapter in agriculture -- you must provide also imaginative endeavor and vigorous leadership in community development projects.

In the past four years throughout the United States some 10,000 rural development projects have been completed -- and the pace is accelerating. Rural community development groups are operating in over 2,100 counties. They have helped to create more than 400,000 new jobs in rural areas.

Over 600 rural communities have been aided in establishing modern water facilities. More than 45,000 rural homes have been built or improved through housing loans provided by the Department of Agriculture. Some 26,000 farmers and other landowners have been assisted in installing farm or rural recreation enterprises. Over 400 recreation projects have been financed by USDA loans -- and many of these projects were developed on cooperative principles.

We applaud these efforts. But they are only the beginning of a beginning. We must do more, and do it quickly. We ask your help -- whether it is giving personal time and effort to RAD projects in your area, or expanding the services of your cooperative or forming new cooperatives to run new recreation or business ventures.

Rural people must be encouraged and helped to make full use of the new tools proposed by the President and provided by the Congress -- such as the new Economic Opportunity Act.



This Act is the first basic and concerted effort in our history to break the cycle of poverty in both rural and urban areas. It provides a job corps, and work-training programs for unemployed youth. It will help poor children stay in school, and go on to college. It authorized grants for commodity projects, mainly in the health, education, and welfare fields. It offers liberal-term loans for small businesses and a broadened program of work experience for unemployed parents.

Under this Act loans are available, for the first time, to finance cooperatives that provide poor rural families with essential marketing, purchasing, and other services to help them earn a better living, and live better. Incidentally, the first anti-poverty loan processed under the Economic Opportunity Act was made to a cooperative in Lafayette, Louisiana.

To help rural people take full advantage of the economic and social aids available, Secretary Freeman recently established a Rural Community Development Service in the Department. This new agency will help to bring the services of all other agencies of the Federal Government -- and private agencies, too -- into rural areas with increased effectiveness. In so doing it will seek the assistance of cooperatives all over this land.

As I have intimated, however, our future farm policy is of concern not only to Americans but to people thousands of miles beyond our shores.

Farm exports are becoming more and more important in the world agriculture picture. Back in 1959 our exports represented the equivalent of the production of 40 million U.S. acres. Last year we exported the equivalent of 75 million acres -- about one acre in four of our land used for crops.

In terms of value, last year's exports reached the all-time high of \$6.1 billion -- nearly double the level of 10 years ago. We anticipate an export volume of \$7 billion by 1970 or even earlier.

Your organization is playing an increasing role in the export area. About two years ago you installed a plant for the processing of bulgur, which is of growing importance in our Food for Peace program. We understand you recently contracted with AID to survey the potential for an import-to-retail bulgur distribution system in Colombia. If all goes well the Colombians eventually will build their own bulgur plant. This is the kind of cooperation that is needed.

Hunger cannot be stamped out by American exports -- or even by the sum-total of exports from all the surplus food producing countries. Exports can alleviate the problem but they cannot solve it.

The final answer to world hunger must come from increased production and processing within the emerging nations themselves. They need effective assistance through trade, capital investment, and technical aid in agriculture and industry from the United States and other developed countries.

The cooperative concept fits beautifully into the special cultural backgrounds of most of the emerging countries, where for centuries they have had traditions of community joint action.

Even apart from tradition, however, the co-op concept is precisely right for the purposes we seek to achieve. Cooperation teaches democracy -- how to operate democratic institutions, how to choose leaders, how to budget resources responsibly. It inspires personal, private, and local initiative.

(more)

Recognizing this, government agencies are turning increasingly to the co-op method and to American cooperative institutions in programs of aid and assistance. During the past year the Agency for International Development had in effect over 80 contracts with cooperatives, involving 278 projects in 48 countries.

Not only do we send hundreds of cooperative specialists abroad to provide on-the-spot advice and guidance to thousands of learners; last year over 600 trainees from other countries came to the U.S. to receive training in cooperative methods. All this is part of farm policy in the Cooperative Age.

Thus, the cooperative concept is helping to bridge ancient barriers across which people must walk if they are to know a better life. Yet this hardly scratches the surface of the need. There is so much more to be done -- and so little time -- and so few hands.

Beckoning to us -- at home and abroad -- is the greatest opportunity for progress to which mankind has ever been invited.

Opening before us is the door to The Cooperative Age.

We can seize that opportunity -- we can pass through that door -- if our courage, our energy, our dedication, our compassion are equal to the challenge.





A280.39

m472

Cap 2

U.S. Department of Agriculture  
Office of the Secretary

April 15, 1965

U. S. DEPT. OF AGRICULTURE  
NATIONAL AGRICULTURAL LIBRARY

NEW PRODUCTS ARE FINE

AUG 16 1965

/  
BUT --

CURRENT SERIAL RECORDS

What I am going to say today falls into two segments -- in fact, my text has a two-part, two-line title.

The first line reads "New Products Are Fine..." The second line reads -- "But."

NEW PRODUCTS ARE FINE

/  
BUT --

Indeed, new products are fine. They characterize the era of innovation in which we live. They give this current period of history a kind of fairy-tale-come-true aspect such as mankind has never before known.

I remember from my boyhood a story which illustrates what I mean. There was a young Prince who had in his entourage a number of wonderful servants. One servant had such sensitive ears that he could hear sounds all over the world. Another's eyesight was so keen that he could see, as the story put it, to the ends of the earth. A third was the tallest man in the world, and since he could stretch himself to unbelievable proportions he was able to travel from place to place with incredible speed.

With such servants, of course, it was no trick at all for the young Prince to accomplish all sorts of marvels. For example, when the

---

Address by Assistant Secretary of Agriculture George L. Mehren before American Marketing Association, Delmonico's Hotel, New York City, N Y., April 15, 1965. 12 Noon.

---

wicked Queen spirited the Princess away, the man with the sensitive ears heard her weeping, the man with the eyes saw her on top of a mountain hundreds of miles away, and the tall man brought her back in little more than the twinkling of an eye.

I relished that tale. Even when I grew old enough to realize it couldn't possibly be true, because there were no such servants in all the world, I wished it were true.

And suddenly today it is true -- or almost so. There are such servants and you and I have them -- and we use them so frequently that they have become commonplace.

Through the magic ears of radio we hear what people are saying in Europe, Asia, Africa, or Latin America.

We sit in an easy chair and watch what is going on in London, Paris, or Rome at the precise moment it is taking place.

Between sunup and sundown we can fly across this continent and back. The plane of the near future will span the continent even faster than the sun -- so that we will leave New York at 9 a.m. and arrive in Los Angeles before 8.

Before this decade is out we will land men on the moon.

Truly we live in an era of innovation -- an era of new achievements, new products, fairy tales come true.

These are among the dramatic -- the spectacular -- developments of our era. But there are other achievements -- other services and

(more)

servants -- which while not so dramatic or spectacular are of even more basic importance in our daily living.

For the first time in history we have the resources conceivably to produce enough so that no person need go hungry. I think of the future effect of adequate nutrition on health, on physical and mental vigor, and the importance of this in the sum total of future human achievement.

I think of the new technology and organization on our farms that have released more than 90 percent of our work force for other industries. But, also I'm thinking of the built-in chef and maid service which has become so integral a part of our American standard of living. To give just one example out of many examples -- if, beginning today, all meals had to be prepared as they were a generation or two ago, there would be a wholesale exodus of women from their growing role in community activities and politics, and -- of tremendous economic importance -- from their contribution to the American labor force. Remember -- about a third of the married women in the U.S. work outside the home. The functioning of the economy would be radically changed if women had to return to spending a good part of the day preparing meals.

New food and other agricultural products occupy a tremendously important place in this era of innovation. The same is true of new processes, many of which are involved in the development of new products.

We, in USDA, have a double interest in these innovations. Our research in the laboratories and the market place is oriented toward expanding markets for agricultural products. New uses for farm commodities,



improved quality, greater convenience are all important in improving farm income. But, as the "people's department" of the Federal Government, USDA is also vitally interested in serving every American citizen through innovations that make for better living. Our research could not be done by farmers, and it is in the general public interest.

In recent years, we have seen advances in plant sanitation, in microbiological techniques, in quality control tools to measure odor, texture, taste, and tenderness. We have seen rapid advances in the use of vitamins and the development of additives and processing techniques which maintain the shelf life and improve the quality of products. We have seen such technical advances in processing as direct steam injection, aseptic canning, flash canning, freeze drying, and dehydration of all kinds. We have seen the storage of fresh products improved by controlled atmosphere, sprout inhibition, and now coming on the scene, radiation pasteurization. Our USDA scientists and our laboratories are working on all of these advances -- and more.

These innovations provide a solid base for future advances. Food preservation by radiation, now on the market for bacon and grain, will surely in the next few years be used to extend the life of fresh fruits, vegetables, fish, and other food products. We are working on the economic feasibility of these advances.

It is now possible by chemical analysis to isolate and identify the chemicals that produce flavor in food. Processors may soon be able to enhance the flavor of a food or to incorporate a certain flavor into entirely new food forms. A practical example would be making a canned pea taste just like a fresh pea right out of a home garden.

(more)



Another promising experimental process is the freezing of fruits and vegetables with liquid nitrogen. This process is more costly than conventional freezing methods and it requires strict control, particularly regarding the length of immersion. But for some products such as green beans, strawberries, asparagus, melons, and seafoods, this freezing method offers improved quality. Several commercial plants now do nitrogen freezing and more are going into it.

New products, like new processes, are coming into the market at an accelerated pace. A variety of new protein products is under development. "Explosion puffing" -- a process similar to that used for breakfast cereals -- has created instant blueberries, carrots, turnips, beets, apples, and applesauce. Dried lemon juice powder and instant pumpkin powder are moving toward commercial manufacture. New types of cheese are nearing the merchandising stage.

Freeze dried products are finding new uses. Dry frozen strawberries and peaches in dry cereal are in the market-testing stage. Also in the breakfast line are egg omelets with freeze dried ingredients. Freeze dried instant coffee is now being market tested and freeze dried chives, cottage cheese, and cream cheese are coming into the picture.

One of our USDA laboratories has developed a gelled applesauce similar in appearance and consistency to cranberry sauce. It is particularly good with pork. A nonsetting raisin paste may soon join fig paste as a filling in newtons and other bakery products. A frozen avocado salad similar to a fresh avocado recipe has been developed. A high quality dried whole milk powder may be a major breakthrough in 1965.

(more)

USDA researchers are designing edible coatings for food. Aerosol containers which we originally developed for the military for application of DDT are now being used to make many foods more highly usable and convenient. Many other containers are being market tested.

A decade ago wool could not be machine-washed without shrinking. It can now and this is the "new" story in the woolen mills this year. Stretchable wool and wool treated to hold creases and pleats are on the market and several garment manufacturers are turning out shrinkproof and matproof wool apparel. Others are making yarn with these qualities. The U.S. Quartermaster Corps has approved wool uniforms with permanent creases and pleats for the Armed Forces.

Our research that made cotton more lustrous, water-repellant, and resistant to rot, wrinkles, and flame has now made it stretchable and moldable. Two new processes have produced all-cotton stretch socks that retain their stretch properties after more than 30 launderings. By using moldable fabrics which can be turned out in varying thicknesses, manufacturers can cut costs and speed up production of hats, undergarments, shoes, seat padding in furniture and many other consumer items.

Leather is now washable, and thus more suitable for clothing. It is resistant to chemicals while retaining its pliable characteristics.

New fat-based detergents, if they can be made price competitive, will be a most useful set of products. They break down easily and thus avoid the problems of some chemical detergents which maintain their foaming action long after use.

(more)

New construction materials made from farm and forest products have recently emerged from our laboratories. A tough new plastic made of pine gum rosin is under development. New low-cost peroxides from crude pine gum are promising for use in the plastics and rubber industries. Vinyl plastics that stay flexible even at low temperatures were made from crambe, a new oilseed crop. New rigid polyether foams that cost less than presently used materials have been developed from cereal starches. A superior glue for pine plywood has been produced by adding a dialdehyde starch, made from corn, to conventional protein glues. Tung oil is one of the ingredients in a durable new fire-retardant paint. Linseed oil emulsions show promise for safe, low-cost use in curing concrete and protecting it against damage by freezing and thawing.

These are just a sampling of new products and innovations. I believe they illustrate that the USDA has a prominent place among the great servants at your command in this era of innovation. They illustrate further that such advances are indeed a key factor in our economic growth and our American way of life. They represent change. They are the result of change and the cause of further change. And this is why I say new products and innovations are fine -- but.

But what?

Simply this. The impact of change can be both stimulating and jarring. Individuals, firms, industries, whole segments of the economy and even regions of the country are, or can be, affected. Some are helped. Others are hurt. Innovations, like all change, require adjustments. Those who do not, or cannot, adjust are left behind -- and sometimes are left bankrupt.

(more)



On the other hand, those who seek to ride the crest of change may also be unsuccessful. Backing a new product that looks like a sure winner but turns out to be an also ran has the same result in business as it does at the racetrack.

The investment required to develop, produce, and distribute a new product on a nationwide scale has become so great that many firms will not handle new products unless large orders are in prospect before production begins, or unless reliable market research reveals that the market potential is strong. It is now almost impossible to book new product orders prior to market testing.

New products developed by government laboratories have a special problem in addition. In most cases, industry is not quick to pick them up. One reason is that government inventions are publicly patented. Private producers are understandably cautious about investing in market development. Why test and develop the market for a product when the benefits may be reaped by a freely licensed competitor? Without some prior measure of the market opportunity afforded, therefore, a good government-developed product may wait on the shelf indefinitely.

The USDA seeks to overcome this handicap by product marketing research carried on and published at government expense.

Actually the successful development and testing of new products and processes require close cooperation within the Department, between the Department and the State Experiment Stations, and between the Department and industry. Our analysts work closely with the scientists doing utilization research at the laboratories. They perform much the same

(more)



function that a market research group does within a private company. They seek to measure the commercial potential for new products by actually testing them on potential consumers, both industrial and household, before they appear in the market place itself. We make recommendations as to the level of acceptability of the innovations. Sometimes the studies provide lab researchers with information they need to direct developmental research or to reorient ongoing developmental programs to do a better job of meeting market and consumer needs.

We also cooperate closely with private firms. When market research is begun most of the potentially interested firms may have already heard of the new product through news releases and discussion of laboratory research efforts in scientific journals and at meetings. They may have evaluated it against existing materials in their own laboratories. Sometimes they will have conducted their own market research to determine relative positions of the new and existing products. This is another reason for government research -- our capacity for collaboration with competitive enterprises and sectors of the economy. This is good. There is very little information the firms can offer as to the potential utility of any new product until they have conducted their own evaluation through their own methods. The exchange of information between a firm and our market researchers is a two-way street.

Let me give you a picture of this research in action and its results.

Supermarkets across the country now stock potato flakes. Housewives like the built-in maid service of this product. Today at least 10 U.S. companies are producing it. Output for a recent year was 47 million pounds -- worth about \$30 million at retail.

(more)

Potato flakes were developed at one of our utilization laboratories. But how did we know if it was a more satisfactory method of dehydrating than some already in use? How did we know that it would increase the total consumption of potatoes or whether it was just a substitute? How did we know whether the new product was worth marketing? Because we retail tested it -- thoroughly and convincingly.

In 1957, the tri-city area of Binghamton, Endicott, and Johncon City, New York, was selected as a test area. The first step was to conduct store audits to establish benchmark sales of all closely competing food products prior to the actual market test. Then, all 41 supermarkets and a sample of smaller stores in the area were stocked with potato flakes. Retail prices were set at a level consistent with those of other processed potato products on the market. The Maine Potato Commission underwrote the design of the package and financed the promotion campaign. Store audits and a follow-up consumer survey were used to determine who bought the product and why, likes and dislikes, reaction to cooking instructions, and repeat purchase patterns.

On the basis of this test and other indicators, several manufacturers went into production and put a commercial product on the market. The successful introduction of flakes validated findings of the market test -- that the product did indeed have a favorable sales potential.

If, as has happened to some other products, the test results had been unfavorable, potato flakes would either have been dropped or returned to the laboratory for improvement.

(more)

Successful introduction of a dehydrated potato product and its widespread acceptance in institutional and household markets had a marked effect on the potato processing industry. It triggered the growth of a large number of other forms of dehydrated potatoes. It facilitated the growth of other processed forms, such as frozen potatoes. In 1958, 18 percent of the total U.S. potato crop went into processing; by 1963 the proportion had risen to 29 percent. American potato processing has developed from 210 million pounds of finished product to the 1 billion pound industry of today, and in so doing actually reversed what had been a downward trend in potato consumption.

A different type of market research was used for sweetpotato flakes. To help anticipate the position this product would hold in the market we felt we needed to know prior use of sweetpotatoes in other forms as well as how they were used. We asked managers and chefs of 88 restaurants in New Orleans and Cleveland to try the instant sweetpotato product under controlled research conditions. The results showed that some restaurant managers thought instantized sweetpotatoes fitted well into their operations. They reported that customers liked the product. A study of householders' reactions was also favorable, particularly when used in certain recipes tested by a consumer panel.

To study package needs and future salability of the product we made small-scale tests in simulated supermarkets. These were followed by an actual sales test in five supermarkets. The results showed that sweetpotato flakes in glass jars had a greater sales appeal than those packed in cans, pouches, or paper cartons. They indicated that good initial sales of sweetpotato flakes in jars could be expected and that the new product

(more)



appealed to people who were not regular consumers of sweetpotatoes. This implied, further, that the market for canned and fresh sweetpotatoes would not be cut into by the new flake product. Three new plants are now processing sweetpotato flakes for a rapidly growing market.

In testing dehydrofrozen apple slices we worked with bakers in Baltimore, Washington, and Philadelphia. We gave them a week's supply of the test product and interviewed them on the results. Nine out of 10 pie bakers were impressed by the convenience and quality of the product. Several companies now dehydrofreeze apples for pie baking and other uses.

We have pretested the idea of washable wool fabrics among retail buyers of wool clothes in 40 firms operating 3,300 retail outlets. They felt that WURLAN, the name of our process, could improve their ability to merchandise many all-wool apparel items.

These types of market testing, of course, are usually preceded by a great deal of testing on a less extensive scale. We have recently installed in the Department a laboratory designed especially for small group experiments in taste and visual discrimination. While we have conducted sensory evaluation research for many years, often using trained testers, the new lab provides facilities for investigating a broader range of problems under carefully controlled conditions. In these experiments the testers are not trained -- they are chosen to simulate the reaction of ordinary consumers. Here we design experiments in which we control food preparation, lights, temperature, time between tastes, and order of presentation.

(more)



With this technique we can get accurate answers to such questions as: Do people like a new product better than, less than, or about the same as existing products? Do they notice any differences between two products which vary slightly in some characteristic such as sugar-to-acid ratios? Do they recognize differences between samples of a product which have been exposed to different storage treatments, such as temperature variations, and if they do, after how much time in storage? Do they rank the experimental products close, or are first and last preferences far apart?

We apply this research to grades and standards and marketing problems, as well as to product development or product improvement efforts. We have recently conducted taste tests on a new grape juice concentrate, powdered grapefruit juice, fresh orange juice of different qualities, dried milk from a new process, peas canned two different ways and improved dehydrated potatoes.

New Products that score well in the lab are then normally given a small scale panel study. We ask a cross-section sample of families to use the products in their own homes, still with many experimental design controls, but under more natural conditions.

Then we go into actual market tests and find out who buys the product, what they think of it, whether they will establish a repeat purchase pattern, suggestions for improvements, as well as reasons for nonpurchase such as described to you in the "case history" of potato flakes.

As you know, we have a Marketing Research Advisory Committee drawn from people in industry, agriculture, the universities, and public service. Early this year this Committee met in Washington and came up with some most interesting recommendations.

The Committee came out very strongly in favor of consumer-oriented marketing research. It emphasized that consumer market research should in most cases precede actual development of agricultural products.

It urged that market potentials for new products and new uses for existing basic products should be vigorously explored with special reference to those commodities which are presently and for the future appear to be in the "surplus" category.

The Committee commended the greater emphasis on basic research in developing guides for measuring market quality and urged that these programs be continued and expanded. The Committee recognized the difficulty of getting equipment manufacturers to spend money to develop commercial machines for measuring quality because the sale of such machines is limited. It recommended that consideration be given to finding ways of granting an exclusive license to a manufacturer for a reasonable time.

The Committee also recommended increased work on better packages and shipping containers for fruits and vegetables for foreign and domestic shipments.

We concur in these recommendations -- and we are sure you do also.

(more)

We live in a world of increasingly rapid change. Today's innovations will be "old hat" before 10 years have passed. Only by foreseeing and forestalling problems can innovations be used to maximum advantage for progress and better living.

The years immediately ahead will surely bring vast change to various sectors of the economy. Processing innovations will make necessary more refrigerator and freezer space in the supermarket of the future to accommodate the new frozen foods as well as to provide space for less frequent and larger deliveries of frozen bakery products. The many new foods will demand more shelf space for display.

Look at what has happened to the potato. In 1957 when we made the market test for white potato flakes there were only seven processed potato product categories on retail shelves. Today there are over fifty.

The American marketing system is going to face challenges greater than ever before. Most apparent is the job of serving our rapidly increasing population. The roughly 195 million Americans of 1965 may, if present trends continue, be 245 million by 1980. To serve the daily needs of an additional 50 million persons to be added in the space of only 15 years adds up to a tremendous challenge to American marketing.

But this is only part of the job. Each of these new consumers, as well as those now living, is going to demand better products, new products and new processes, more conveniently available, more efficiently marketed. The American marketing system will have to provide many services now only on the drawing boards -- plus a substantial number that as of now probably have not even been thought of.

(more)

I began my remarks by marvelling at the wonderful servants the age of innovations has given us. Who can fail to be impressed by the magic of radio, television, and modern transportation?

But let us not lose sight of the fact that we who are here today represent equally wonderful and even more fundamental servants of the American people -- the enterprise system of which you are a part and the department of government with which I am proud to be associated.

#####



AUG 10 1965

CHALLENGE AND CHANGE IN MARKETING

CURRENT SERIAL RECORDS

In his letter asking me to speak here today, Roy Hendrickson suggested I might talk about the "changes and challenges currently becoming clear in connection with marketing."

But before I do -- and in the process take up some of the unsolved problems that still remain in grain marketing, let me just make note that the grain industry and grain trade have made great strides in this country. More than we realize, we have reached a point where we can supply worldwide needs on literally scarcely more than a moment's notice. And those needs are far more specific as to type and grade and quality than in days past.

Largely through the help of Government, we now have a reserve supply so that no longer is there fear of either seasonal shortage or serious annual deficit in a bad crop year. Furthermore, food grains have become a vital part of our foreign policy in helping nations that are desperate for even a minimum food supply. They are an instrument for peace. All these are past and present accomplishments in which we all can take pride.

However, I do share Roy's view that the changes and challenges in marketing are a timely subject -- and an important one.

---

Address by Assistant Secretary of Agriculture George L. Mehren at the Spring Conference of the National Federation of Grain Cooperatives, at the Mayflower Hotel, Washington, D. C., April 6, 1965, 12:15 p.m., EST

---

The marketing of farm products constantly assumes more importance because it constantly grows as a sector of our national economy and as a determinant not only of the price that farmers receive for their products but also of the cost to consumers for goods of agricultural origin. Marketing cost, much more than the price at the farm, now determines the price of food to consumers -- and this applies especially to grain products. Moreover, marketing is of vital importance to the millions of workers and investors to whom it is a business and a means of livelihood.

It is also true that marketing is growing in complexity as well as in size and importance. Old and familiar patterns are giving way to entirely new ways of doing business, new relationships between the parties involved in marketing, new dimensions in size, and even entirely new marketing channels. Some people and some firms are hurt and some fall by the wayside in this process of change. And there is much that is not clear about the changes and challenges in marketing today. That is, in fact, exactly the reason that we now have a National Commission on Food Marketing. Dr. George E. Brandow, the Executive Director, commented recently that Congress and the President, in establishing the Commission, essentially have said:

"All kinds of changes have been taking place in the way in which the food industry is organized and how it operates. See if you can give us some perspective on the extent to which firms are becoming larger, fewer, and more vertically integrated. Try to find out why these changes are taking place. Give us your best judgment as to how they are affecting the efficiency of the food industry, the bargaining power of different groups within it, and the maintenance of fair and effective competition.

Advise us on the ways in which regulatory activities of government are outmoded, ineffective, or otherwise in need of revision. In short, how can we maintain the efficient, competitive kind of industry that is in the best tradition of American private enterprise?"

The Commission has set up its study to include five broad subject areas: retailing, meats and poultry, fruits, and vegetables, dairy products, and bakery and cereal products.

In the subject area with which you are most concerned, Dr. Brandow has said that the studies will "emphasize the structural problems in long-established areas, such as baking, as well as new products, new processes, and product differentiation in dry cereal products and prepared foods." He also said that "the price spread between the farmer and the consumer will be carefully scrutinized. We will obtain the best data we can to show what makes up the price spread -- labor costs, advertising, containers, transportation, profits, and so on."

The Department of Agriculture, along with other Government agencies, will be asked to provide data and in other ways assist the Commission in its work. We also were among those sponsoring the legislation to establish the Commission. In this we were joined by representatives of every segment of the farm and food industries. It was, we thought, a rather remarkable show of unanimity on the need for this study.

So, as you can see, the Department is concerned with the work of the Commission in a number of ways. I commend its progress to your attention -- and urge that you contribute whatever help and cooperation you can.



It would be too much to expect the Food Commission, as Dr. Brandow has said, will arrive at final solutions to all the major problems of the food industry. But we hope, along with him, that it will bring them into sharper focus and will have significant recommendations to make about several of them. We expect that its findings will provide a basis for both private decisions and public policy.

Meanwhile, back at the Department of Agriculture, there are several questions of public policy of concern to you that are coming into focus as the result of changes in the marketing system.

Transport rates is one of these. The Department, in line with its responsibilities to promote the efficient and orderly marketing and effective distribution of all farm products, has long been concerned with transportation as an integral part of the marketing system. For some years, we have had a special Transportation Services Branch to work with farmers and their organizations toward just and reasonable rates and adequate services in the transportation of farm products and supplies.

The Department has always recognized the importance of a strong national transportation system -- and of competition as a means of spurring innovation, efficiency, economy, and growth in all modes of transport. It has also recognized that regulatory policies must be adapted to changing needs and conditions.

Just now flour millers in the Great Plains are disturbed -- with good reason -- about changes in the rail rate structure for wheat. With charges moving down on wheat -- to meet the competition of unregulated trucks and barges -- but not on flour, it has become relatively more



attractive, they say, to transport wheat to mills located near consuming areas than to mill wheat near producing areas and to transport flour to consuming areas. This is sort of a reverse twist to the history of the meat packing industry.

However, it should be noted that rail rates are only one factor in the complex marketing picture. Competition from trucks and barges is going to continue in any case, no matter how the current controversy over regulation versus de-regulation comes out. And then there are other forces of change that are at work, such as the decline in small home-owned milling firms, the changing demand structure for flour, and the increased demand for mill feeds in areas such as our Southeastern States. And, although it may sometime seem fashionable to do so, we can't disregard the necessity of retaining a good railroad system.

The Department is, of course, sympathetic to the problems of the flour millers. We do not believe that injustices should result from transportation regulation and legislation. Nevertheless, in serving the public interest the Department is constrained to consider the problem from a broader than regional or single industry viewpoint.

Moreover, guidelines on transportation policy have been set out in the President's Economic Report. Let me read just a couple of sentences from that report:

"Technological and economic changes have revolutionized the transportation industry. Highway, air and pipeline transportation now supplement and compete with rail and water transportation. The latter could, in turn compete more effectively with the newer forms -- and to their own

and the public's benefit -- if they were not restrained by certain aspects of regulation.

"There are some respects in which it would be desirable to increase the role of competition and the scope for initiative among transportation companies. Appropriate reduction of the scope of Government supervision over rates (particularly minimum rates) and, in some cases, over the choice of operating routes, would strengthen competition among various modes of transportation, increase efficiency in the utilization of transportation resources, and encourage more rapid technological progress."

This of course is intended as a general statement, not as specific to any one situation, commodity, or locality. The situation in regard to the rate structure for grain and grain products is neither clear-cut nor simple, as you well know, and before adopting an official policy on this matter the Department is making a thorough study of it. For this purpose, and to consider all proposed rate changes and other transportation matters of interest to agriculture generally, we have set up a Departmental Transportation Rate Review Group on which there are representatives of five major Department agencies.

In another area of particular concern to you, the Department is proposing a major overhaul of the U.S. Grain Standards Act. This, too, relates to changes in marketing and in transport. The aim is to overcome inequities that have developed over the 49 years this law has been in effect. The major change proposed would place the inspection of grain in interstate commerce on a permissive rather than a mandatory basis.

In recent years, as trucks began to take over more and more of the grain traffic, it has not been possible really to provide equitable treatment to all transactions that would be expected to be subject to the Act. This is so because inspections performed under the Act are made at specified markets through which grain normally moves -- or least they were the markets through which grain normally used to move. Truck movement now often by-passes these markets. In addition, the number of trucks now on the road and their irregular hours and movements compound the difficulties of providing inspection for their cargoes. We might solve this problem by greatly expanding the inspection service, and the enforcement staff, or we could remove the requirement that now affects only a part of the trade. We are proposing the latter course. This would place grain inspection on the same voluntary basis as the grading of most other farm products.

On the other hand, we believe that inspection and grading under the Act should be required of all grain for export at the time of loading into export carriers. The importance of our export trade and the reliance of foreign buyers upon the U.S. grades as the basis for trade would seem to make this requirement logical.

We hope that Congress will approve of our proposals to amend the Grain Standards Act -- there are other modifications involved as well, but scarcely time to discuss them all today -- but whether or not the proposed changes are made, I am sure there will be a continuing need for better and better methods of evaluating quality -- a need to make standards of quality an integral part of grain trading -- develop standards to fit the exacting and changing needs of the trade -- and to put them into practical use.

(more)

USDA 1065-65



This is the direction in which all marketing is moving in this country, and increasingly in other countries too. It is the mark of an affluent society -- and of a world in which trading between countries is accomplished almost as matter of factly as one farmer might sell to another.

As consumers and as marketers become more quality-conscious, and as new products and new processing techniques are developed, it frequently becomes necessary to redefine grade standards. Often, if not invariably, the change is to narrower or tighter standards. The revision of the wheat standards last year was a step in this direction. But our overseas customers tell us that we are still dragging our feet compared with other countries. It is still, they say, easier and cheaper to get from our competitors the quality of wheat they desire.

You and I know that we produce in this country as high a quality of wheat as any other throughout the world -- and moreover a type of wheat to suit every purpose. We have the technical know-how to measure quality in relation to use values.

Trade people tell us that any buyer -- domestic or overseas -- can obtain U.S. wheat of the exact quality he wants by using detailed specifications. But our overseas customers tell us that they have difficulty in getting anyone to sell them wheat on this basis -- or that the premium asked is so high that they can do better elsewhere.

Such are questions that producers and marketers of all farm products are facing in these days when much demand is pin-pointed as to type and quality, yet production is decentralized among thousands of



individual producers. The trade has the infinitely complex job of linking -- and reconciling -- these outposts, and doing so with both efficiency and equity. I do not believe that grain producers, or their cooperatives, can escape these questions any more than anyone else.

The fact is that while we debate the minutia of various proposals to modify and improve our standards, the world is moving rapidly toward international standards of quality to facilitate trade around the globe. In some cases, as in cotton standards, we are leading the parade. In others, we are going to have to hurry to catch up.

Of one thing, we can all be sure -- the challenges and changes in the marketing of farm products in this country are not going to diminish. Pressures for increasing efficiency and reducing costs can be expected to continue and to intensify.

As manager and directors of grain cooperatives, I'm sure that most of you here today can read this handwriting on the wall as well as anyone else. Changes in transportation rates, facilities, and services will require corresponding changes in handling and storage facilities at mills and processing plants. Need for larger, more efficient grain storage and handling facilities is apparent in many areas. Small local elevators seem to be squeezed from several directions. I don't have to spell out for you the changes in production, in harvesting, in utilization -- in every phase, including not only time but also the form in which grain is handled and the places to which it is shipped.

Signs of the time include not only giant hopper cars but also the unit train concept -- a whole train -- a minimum of 5,000 tons -- hauling a single commodity from one origin to one destination. In this unit train concept maximum tonnage is combined with "bare bones" rates -- no provisions for storage and milling in transit, stops for inspection, or indirect routing and no more than 24 hours allowed for loading or unloading.

Crystal ball gazers see huge completely automated port elevators which would allow trainloads of covered hopper cars to pass over dumping pits, open hopper doors electronically, and unload without stopping the train.

Ocean freighters with carrying capacities of 3 million bushels or more are already available for hauling grain for export -- and at greatly reduced rates.

Just the other day, the South Carolina Ways and Means Committee reported out favorably a bill calling for a \$2.5 million expansion of the Charleston grain export facility. The plans call for additional silos, a hopper car dump, and new facilities for weighing and inspecting grain.

The future is always a little closer than we think. We all need to seek the means of dealing with and adjusting to the challenges and changes it brings. For cooperatives such as yours, I should think this would include finding new ways of working more closely together -- perhaps even new forms of organization.

At the Department of Agriculture, we face the necessity of adjusting many of our services to the needs of a new day -- even in some cases perhaps devising new or different services.

One step in this direction was the establishment earlier this year of a new agency, the Consumer and Marketing Service. This is not a radical move, but it is one which recognizes some of the realities of our time -- for one thing, the fact that consumers and not just farmers and marketers are served by programs aimed at improving and facilitating the marketing of farm products.

The new agency encompasses all the marketing services -- grading, market news, and so on -- and all the regulatory programs -- enforcing of the Federal Seed Act, the U.S. Warehouse Act, and similar laws -- that formerly were a part of the Agricultural Marketing Service. These have in no way diminished in importance. They doubtless will, in fact, continue to grow in importance in the years ahead if we are to maintain open market trading as a part of our marketing system.

The new agency does, however, give new emphasis and stature to what we call consumer protection services -- inspection for wholesomeness of meat and poultry and supervision of sanitation in plants processing other products. It is inevitable that Government will play a growing role in this area as insistence mounts for absolute safety in our foods.

Also given major status in C&MS are the consumer food programs, which include school lunch, special milk, commodity distribution, food stamps, and the Plentiful Foods Program. A recent development in this area of work, incidentally, was a request by a cross-industry wheat group



for help in developing a research, educational, and promotion organization along the lines of other commodity organizations such as the Livestock and Meat National Board and the National Dairy Council. Such organizations have had quite good results, I believe, in their fields, so it will be interesting to see what this new wheat group can do.

While we call these consumer food programs -- and they are a most beneficial service to consumers -- let me point out that they are equally in the interest of farmers and marketers in expanding present and future markets for food. The school lunch program, for example, has become an annual \$1 billion market -- and in the 1962-63 school year this meant a \$69.5 million market for bakery products. More than a third of this sum went for bread.

One other angle on the new agency that may be of particular interest to you is the fact that beginning in June it will incorporate the warehouse examination functions previously carried out by the Agricultural Stabilization and Conservation Service. These will be merged with the administration of the U.S. Warehouse Act in a new branch to be called the Warehouse Service Branch -- a part of a new Transportation and Warehouse Division. The warehouse examination program will be carried out through three national field offices, one in New Orleans for cotton, one in Kansas City for grain, and one in Minneapolis for processed commodities.

I am told that there has been some interest in the possibility of licensing vegetable oil storage facilities under the U.S. Warehouse Act and providing the same type of supervision over their operations as is provided for licensed grain elevators. However, most of the interest has



come so far from bankers, Boards of Trade, and similar sources -- but very little from the operators of storage facilities. Since this is a voluntary program, under which qualified applicants are licensed upon their application, it would be necessary to see more real interest on the part of potential licensees before it would be economically feasible for the Department to go ahead on planning for such a service.

We will be more than willing to do this, if there is a demand for it -- always provided, of course, that funds are available to handle the work.

To conclude this rather rambling discourse, let me reemphasize the point I made at the outset -- that all of us, no matter what our occupation, geographic location, or special interest -- all of us are profoundly affected by the changes and challenges of our complex, diffuse, and intricately interrelated marketing system. Dealing with them wisely, honestly, and constructively is difficult, but deal with them we must. We cannot turn back the clock to a simpler day, when the marketing system was -- or so it seemed -- much more orderly and easily defined, and there were far fewer final products with which to cope.

We must instead move forward and take the offensive with these changes and these challenges -- a task in which we hope the Food Commission will provide us with some needed guidelines -- so that, as President Johnson has put it, they become our servant and not our master.

###



220,39  
m 472  
Cop 2  
March 25, 1965

U. S. Department of Agriculture  
Office of the Secretary  
CW

U. S. DEPT. OF AGRICULTURE  
NATIONAL AGRICULTURAL LIBRARY

AUG 1 0 1965

THE CONSUMER INTEREST IN MARKETING

CURRENT SERIAL RECORDS

The idea of this forum -- to stress the interdependence of supplier, farmer, marketer, and consumer in the modern food complex -- it seems to me is excellent. It is a point that needs often to be made, but too seldom is. All of us seem to be too prone to compartmentalize economic, even social, interests, in a way that really is out of step with actual events in the world around us. I address a difficult and sometimes controversial element of this interdependent mechanism -- the interest and protection of the consumer.

That consumers have an interest in the food marketing complex, I suppose, should go without saying. Yet I doubt that many know just how deep an investment they have. In 1964, consumers paid at retail about \$100 billions for the finished products of our farms and forests, more than two-thirds of the total represented the marketing bill.

The fact is that, to ever-increasing degree, it is the cost of marketing that is the major long-run cost determinant of the price we all pay for our food. I personally believe the farmer deserves a better share than he receives, and that in the long-run he will do so competitively. Yet, regardless of personal belief or ultimate adjustment, we must accept this fact of distributive shares because it is a major fact of modern life as it now exists.

---

Address by Assistant Secretary of Agriculture George L. Mehren at the annual Agricultural Leader's Forum, Cornell University, at the Alice Statler Auditorium, Ithaca, N. Y., March 25, 1965, 11:15 a.m. (EST).

---

As consumers you and I -- all of us -- have come to expect a great deal of the persons and processes that make our food available to us. There is occasional organized complaint, rare organized approval, and continuous acceptance as granted.

We expect agriculture and the food industries to put on the retail market an abundant supply of every kind of food that we want and need. We expect it to be of high nutritive value, desirable in color, flavor, and texture. We expect these qualities even if the food must be transported thousands of miles and stored for long periods or processed in order to give us year-round use of seasonally-produced foods.

We expect our food to be appropriately packaged and labelled and marketed in convenient form, with much of the pre-serving preparation already done for us.

We expect to have an almost limitless variety of every kind of food, of every degree of perishability and at any and every stage of preparation, available to us at any food market in any region that we choose for our shopping during any hour of a ten-to twelve-hour day, on any day of a six-or seven-day week in any season of the year.

And we want all of these products and services for a price that we consider reasonable!

The astonishing fact is that foods and services in the market place today must -- and do -- meet all of these expectations to a far greater degree than is generally known. They do so largely because consumers demand it and because a highly efficient and fundamentally competitive producing and marketing system caters to their wants.

(more)



Consumers are not a passive force in our markets. Our choices in retail food stores ultimately signal to marketers and hence indirectly to farmers what our preferences are in terms of quality, convenience, and price. The products now on grocery shelves were not necessarily put there by our choice. The new ones certainly were not; but it is our choice that keeps them there!

The average American spends some 18 percent of take-home pay over the full year on food purchases, yet, our food buying in actuality consists of many minor and frequently recurring purchases selected from among many alternative products, services and places or times of procurement and even types of outlets. Any product or channel that does not meet with our favor against alternatives is not going to be around very long -- so that the first line of defense of the consumer interest in marketing lies with the consumer himself -- with each one of us.

Without wishing to provoke controversy, let me say also that there are two related lines of defense. The American woman, generally speaking, behaves rationally in buying food. She allocates a limited income among competing alternatives readily accessible to her. Second, American businessmen with few exceptions are honest men. In the food business, there are special reasons for honesty as a rule so general that deviation is taken as real scandal. Perishable products generally must be and are traded on faith. A crook not merely loses his customers if caught. He will also lose his suppliers. There are, I am told but do not of course assert some fools, a minutely small number in all likelihood, among housewives and I know and assert there are some knaves in the food industry. But generally they are rational and honest because this is right and it is in large part required by the system itself.

(more)

Of course this form of self-protection - which nearly always operates well - is possible only with a system like our own which does make many alternatives available -- and only when the consumer is well-informed enough to make intelligent choices and is free of grinding poverty.

I think it is true that many of us need to be and want to be better informed than we are. That is one of the goals that consumer representatives -- in government and outside it -- are working toward, because unless we are well-informed and intelligent food shoppers it could conceivably be possible for a kind of "Gresham's Law" to operate -- for shoddy products and shady practices to drive out the good.

It is also true that the keeping open of alternatives -- of supply, purchase, and sale -- is a goal to which all of us are dedicated, whether we call it that, or "free enterprise," or "effective competition", or some other name.

It comes down to the theme of this forum -- that the interests of farmer, marketer, and consumer are so closely intertwined in our complex and interdependent economy as to be almost inseparable. Thus, while the farmer and marketer exist, in a sense, solely to serve the consumer, jobs and incomes for more than twenty millions of workers and investors also are a critical part of our food system. They too have much at stake in the workings of the marketing system. And the responsibilities of the farmer and marketer to consumers can be realized best in the long run if adequate incomes and returns are forthcoming to the entire food industry. Analytically, it can be shown that long-run interests of the several components of the food industry are congruent, if open competition prevails.

(more)

We have always had a system of competition and enterprise modified as appropriate to the times in order to permit people to live in concourse and to assure to individuals the benefits of being in groups.

To insure that our system of private enterprise and competitive markets works efficiently and fairly, therefore, is in the interest of all. All of us realize this when we stop to think about it. And certainly this was in the minds of that remarkable group of men who framed the master document -- the Constitution -- that still guides our economic and political lives. They recognized -- as we do today -- that competitive freedom and the benefits that go with it, do not come about and are not maintained automatically. We know despite occasional vehement denial -- that Adam Smith's "invisible hand" needs assistance and guidance -- and we have, from the beginning, assigned that role to Government. We have never fully embraced the totally abstract concept of laissez-faire ideology that Karl Marx believed was the dogma of capitalism -- and believed would cause its downfall.

Since its beginning, we have looked to our Government to modify the rules of the game as conditions changed, new needs arose, and the economy grew. I do not think that the primary goals have changed. But the constraints imposed and the services provided must necessarily change. And through our Government - which to a larger measure than myths indicate is the people as individuals - we have been able, with considerable success, to improve the operation of our system, to reduce economic hazards to individuals -- while still protecting their freedom of action and initiative -- and to help the underprivileged.

(more)



Let me take a few minutes to outline some of the ways that Government is performing this function today -- in particular how the U.S. Department of Agriculture is serving the consumer, the producer, and the marketer in relation to the food marketing complex.

One of the functions of the Department that I believe is little known to the general public is regulation. The Department administers more regulatory laws than any other agency of government. In the area of food marketing, the major regulatory laws include the Packers and Stockyards Act and the Perishable Agricultural Commodities Act -- laws which are designed to assure fair, open and honest competition in the marketing of the products for which the consumer spends the greatest proportion of his food budget -- and which combined are the largest source of income to farmers -- meat, poultry, fruits, and vegetables.

Likewise little known -- and little understood -- are the marketing order programs administered by the Department, in the general public interest, but initiated and voted into effect only by farmers themselves. These are, essentially, a means through which farmers can work together to bring order and stability to the marketing of some of our most perishable foods -- milk, fruits, and vegetables. And, among other reasons, because marketing orders often serve to prevent wildly erratic swings in supply and price, consumers usually benefit substantially from stable supplies and reasonable prices.

Other activities of the Department are designed to facilitate marketing -- make it possible for the system to work better, more efficiently, and more economically than it otherwise could -- in fact, along with the

(more)



regulatory functions to make it possible to conduct fast-moving trade in perishable products, with assurance, across a nation that spans 3,000 miles.

These include Federal grade standards to measure important variations in quality for every major farm product -- and grading services to provide accurate and unbiased evaluation of quality on the basis of these nationally-uniform standards. Most food shoppers are familiar with some of these grades -- U. S. Choice for beef, U. S. Grade A for eggs and butter and poultry, for instance -- and rely upon them as guides to quality and as a means of comparing quality and price, wherever in this country they may live. Some consumers may not know that such services reduce the cost of marketing and enhance the value of production - and if they did not, they would not be used.

These services also include a nation-wide market news service -- the communications arm of the food trade -- which makes available in every major production area and marketing center from Maine to California the very latest information on prices, supply, demand, and movement of farm products. We are marking the 50th anniversary of the Federal-State market news system this month, and I think it is not too much to say that this one service, alone, has contributed much to making our whole marketing system what it is today. The food industry, and indeed the nation, would be very different without it.

So while we may tag all these as marketing services, it is not hard to see that consumers benefit from them as much as anyone.

(more)

In the same way, those services we call consumer protection -- the inspection for wholesomeness of most the nation's supply of meat and poultry and the supervision of sanitation in many processing plants -- these services also do a great deal to facilitate trade and widen markets for farmers by building consumer confidence and demand.

Consumer food programs help to expand markets for farm products too -- and they also fulfill a special obligation of Government: to provide opportunity for disadvantaged areas and people to help develop themselves. Through the distribution of foods purchased by Government in price support and surplus removal programs, school children and needy persons in families and institutions share in the Nation's bounty. Through the rapidly-developing Food Stamp Program, not only are low-income families helped to stretch their food dollars -- but a whole local economy is bolstered through the increased purchasing power of these people. To help disadvantaged people improve their diets and their health is not only morally right -- it makes good economic sense, too, because by so doing we can often help these people to break out of the circle of poverty and become productive, self-supporting, self-respecting citizens.

To help improve the diets of the nation's children through school lunch and special milk programs makes good sense in every way. There is no argument about that. But in calling these Consumer Food Programs, we should not overlook their direct benefit to farmers and the food trade to whom these programs have indeed brought wider markets -- and for whom they will develop good customers for tomorrow, as well.

(more)

People sometimes insist that we declare whether our consumer food programs are in the interest of farmers or consumers. The answer, if there were one, would be irrelevant. By their very nature they are in the interest of both. Indeed their intrinsically dual service is one of their very strong merits.

Now all of these programs I have been talking about are part of one agency -- the Consumer and Marketing Service. The C&MS was formed earlier this year for the purpose of bringing together in one agency all of the Department's marketing services and market regulation programs and most of its action programs for consumers -- so as to better serve that interdependent food marketing complex -- suppliers, farmers, marketers, and consumers.

Yet this is just one of the Department of Agriculture's 16 operating agencies. Perhaps you are familiar with some of the others, such as the Agricultural Research Service, the Forest Service, the Soil Conservation Service, the Foreign Agricultural Service. These others are not so directly concerned with the food marketing system -- except for some of the research that is done in this area and economic and outlook information services -- but all of them do certainly contribute to the well-being of consumers as well as that of farmers, businessmen, and other sectors of the economy.

All of them are performing services which, in the Lincolnian precept, the people cannot do -- or cannot do so well -- for themselves. Who else but Government, for instance, can maintain and develop our natural resources in the interests of not only present but also future generations?

(more)



In a sense, everything that Government does contributes to the interests of consumers -- for consumer interests really are indivisible from the public interest. Nor, in the long run, are farmer or business interests distinguishable from the interest of the entire public. We expect our Government to protect our freedom as individuals -- as consumers and as farmers or businessmen -- but at the same time to contribute to and be responsible for the stability and growth of the economy and equity of opportunity within it.

We believe that the choice is not now nor was it ever between a totally unordered market economy, without protection and regulation, and a totally planned economy. Rather we believe that appropriate activity by Government will not displace the free market, but will make it both freer and more effective. We know that the government must at times act to make the market function better in its own terms, namely, competition.

Moreover, we believe that Government has the responsibility of assuring maintenance of the environment in which all individuals can make fair and reasonable choices.

This responsibility was spelled out first by President Kennedy in his historic consumer message of March 15, 1962 -- and reaffirmed by President Johnson in his consumer message last year.

President Johnson, in his message, pointed out that Federal action in the consumer interest is not new -- and he enumerated Federal laws and regulations which have long been administered to that end.

(more)



"What is new," he pointed out, "is the concern for the total interest of the consumer, and the recognition of certain basic consumer rights: The right to safety; the right to be informed; the right to choose; the right to be heard."

The President, moreover, pledged an "intensified campaign to assure that the best practice of the great American market-place -- where free men and women buy, sell, and produce -- becomes common practice."

The National Commission on Food Marketing, created at the request of the President, is evidence of his intention to carry out that pledge. The Commission is not charged with making legislative recommendations, but its findings and its analysis of our food marketing system will help form Government policy to guide our economy for the future in the direction in which we wish to go.

"Capitalism in America," President Johnson once remarked, "is what it is today because of the initiative, the enterprise, and the responsibility of our free system. But it is also what it is because of the course we have chosen for this government to follow."

These same factors will certainly shape our economy -- and our food marketing system -- for tomorrow.

There is no doubt in my mind that our Government will continue in the future, as in the past, to undergird and safeguard the interests of consumers -- perhaps even in new ways and in new directions. But I also believe that under a system like ours, with-informed consumers and with many available alternatives, consumer interest in and consumer opportunity for self-protection are parallel.

(more)

We are not really foolish or wantonly wasteful people and we do not like to be deceived or defrauded. Most of us are decent and honest human beings who would be reluctant to steal or to deceive even for short-run profit. We live in a society which limits the expression of sheer stupidity or repeated cupidity. We are informed and generally mobile. It is not easy fully and forever to protect fools without severe damage to others. We, who also in fact are the government, must proscribe practices against which individuals have no ready defense. An informed public can be safe and free to choose among meaningful alternatives.

I think that is what the people of this country want and expect that their government will make possible. And, as Thomas Jefferson wrote long ago, "The basis of our government (is) the opinion of the people." He also said "if a nation expects to be both ignorant and free, it expects what never was and never will be".

#####

A 280.39  
M472

Cap2

U.S. Department of Agriculture  
Office of the Secretary

U. S. DEPT. OF AGRICULTURE  
NATIONAL AGRICULTURAL LIBRARY

AUG 10 1965

March 24, 1965

POTENTIALS FOR COOPERATIVES IN LIVESTOCK

CURRENT SERIAL RECORDS

It is good to visit the part of the country where cattle still eat corn and where the hog is a quadruped of recognized eminence. On the shores of the quiet Pacific -- which is my home country -- cattle are made to live on barley and grain sorghums and beet pulp and fruit by-products and other exotic materials (on which they do pretty well!). Hogs are hardly a big western enterprise; in fact, this was never a large industry in the West, and it is still shrinking.

It is good also to meet with a producers' marketing cooperative that has a long and distinguished record, a record comparable with that of our California co-ops that were among the first in this nation and the names of which are known everywhere.

Certainly the National Live Stock Producers has won general respect over the years. Perhaps the highest tribute is that many of the reforms and improvements -- in ethics, practices, facilities, services, methods -- you helped bring to livestock marketing are now so firmly established that they are taken for granted. And, as often happens, some persons may now forget to give you a credit line for that which has worked well and quietly for quite some time.

I think also that you are due a testimonial for your forward-looking service to the Department. Your leaders have provided counsel on

---

Address by Assistant Secretary of Agriculture George L. Mehren before stockholders and directors of National Live Stock Producers Association, Bismarck Hotel, Chicago, Illinois, March 24, 1965, luncheon meeting.

---



many occasions. You have taken a positive and helpful interest in our efforts to serve the livestock industry. You have helped in Packers and Stockyards rulings, in our Livestock Market News Service, and in our constant search for ways to improve our system of meat grades and standardization. Only a few weeks ago your Secretary-Manager, Mr. Mylan Ross, did double duty. He gave a full week to helping us review our program of livestock research -- first as part of our regular advisory board review. Then he helped in a one-time study in depth that had been generated by advice of the Appropriations Committee of the U.S. Senate.

But well-earned laurels do not last forever in any field of work. The World Olympics are re-run every four years. Similarly, the methods of livestock marketing must apparently be modified periodically. Just now, the pressure for revision, for change, for modernization seems to fill the air everywhere. Californians seem to have heard the call from the beginning. They seem willing to change continuously. Possibly California marketing people, including those in livestock may have been just a bit more inventive and aggressive in responding than have those of the Midwest. Perhaps because it is a younger agricultural area it is easier for them to innovate. The major reason, I think, is that they had to adjust to change simply to survive.

Certainly in fruits and vegetables, the early westerners learned the value of strong, well-organized cooperatives. They used State and Federal marketing agreements -- and before them voluntary agreements or cooperative contracts -- to help attain more orderly marketing. The westerners have built a number of new and effective cooperative bargaining associations -- in processing crops, in milk, in eggs, in sugar

(more)



beets. I certainly do not mean to imply that all or perhaps many of these marketing devices are or will be applicable to livestock. They have not been used for livestock in the West, and I do not think that some of them will ever be widely used.

But I do mean, not just to imply but to declare positively, that the same developments which are giving new directions to marketing other farm products are affecting livestock marketing too. Livestock and livestock products are not remote and immune from forces of change. And I do mean that an unbiased backward look shows as much change in livestock as in most commodities.

Many observers of the livestock scene have reported on the major trends that are under way. I certainly claim no special knowledge or insight. Yet, it seems to me that the trends and developments can reasonably be classified into two broad categories. The first is the diversity, the variety, in marketing methods that is sometimes -- and perhaps too politely -- called decentralization. Thus diversity seems to be one of the attributes which leads some people in some areas to speak or write so vehemently. Yet, there is one thing about the livestock marketing system in the older, so-called railroad era. It was, at least, a definable system. Whatever the method of local assembly, most livestock eventually reached a terminal, to be sold there to a packer most often located a few steps from the yard.

Many livestock still are sold on terminal markets, particularly in the Midwest. In the West the terminals are few and small. But animals are sold in every other conceivable way too. You name a system, any

system, and an instance of it can be found somewhere.

I do not suggest that all livestock should be marketed through the same channels, or even by a very few different systems. By no means are imaginative new techniques of marketing to be discouraged. Perhaps, so long as there is open and free competition, we are all best served if there be full and vigorous competition between systems as well as among enterprises within a system. I think that all concerned should realize that competition means that the relative status of some types of marketing will change. Some will disappear. Change in the status quo may not always be undesirable. But if I may draw on California experience again, it is hard and perhaps impossible to set up an efficient and equitable marketing system if efforts and leadership are fractionated and diffused all over the lot.

Moreover, some of the marketing methods seem not to be using available technology. A few seem to fail to take account of up-to-date means of communication and record keeping. There are exceptions, for example, the so-called Tel-O-Auction method of selling hogs and calves and the computer record systems adopted by some packers. Yet, by and large, I think it can be said fairly that much of the livestock marketing system is only a little past the stage when all communication took place with men's noses pointing toward each other, and when the only recording device was a lead pencil.

The USDA may itself have unwittingly contributed to the relatively slow rate of change in livestock marketing. And again, despite the sharpness of change in livestock marketing, it really has been of lesser

(more)

scope and intensity than the changes in some other major parts of the food industry. The various services we provide -- market news reporting, grading and standardization, regulation of practices and others -- were all first developed during the railroad-and-terminal-market stage in history. I believe that they are well designed for terminal and for auction selling. We are now trying to up-date our services. Most parts of the industry are trying to help us do so. Many farmers and feeders now sell direct to packers. So we put some of our market news men on wheels, to report trading in the country. We do this because it is necessary in order to get market news -- and it does not mean endorsement of direct selling. A number of livestock producers choose to sell by carcass grade and yield. We do not pass moral or aesthetic, or any other legal judgment on the relative merits of that or any other lawful system. On the contrary, we surely have an obligation -- both morally and under law -- to service any lawful system and to assure equal protection under law to the interests of parties who choose to use it. We have an obligation to provide equal service, equal regulation, equal protection to and for the newer systems and for the kind of system that was common when our basic laws were enacted.

There is a second major change which also has scrambled old and familiar marketing sequences. This is the massive change in merchandising of meat. It highlights the latest and possibly lustiest entrant on the scene, the supermarket. Most people seem to agree that the supermarket has brought new and effective devices to the merchandising of meat and other farm products. Many of these developments are unquestionably to the good of all concerned. Supermarket retailing has achieved great

(more)



effectiveness in building a big market for high quality beef, pork and lamb. Yet, rightly or wrongly, some people blame much of their troubles on retailers, especially chains.

The irony is that the dramatic effectiveness of supermarket retailers in selling seems to have engendered serious questions with respect to their buying side. This is notably true when supermarkets are combined into groups. Most retailers are in procurement groups -- either corporate or sponsored or retailer-owned cooperatives. Increasingly, meats are so procured. There are questions, for instance, of the bargaining strength of food groups in procuring their meat. In a given city in a particular week when one group assembles beef for a big weekend special, that group or firm's volume of beef buying may possibly enable it to "make the market," in a way quite different from the meaning of those words in earlier years. There is no issue that dimensions and business relationships in meat marketing have changed sharply.

Insofar as retail food chains and buying groups now attract the spotlight of inquiry, it is probably welcome relief to meat packers. Packers seldom hear themselves called a "beef trust" anymore. They doubtless are glad to lose -- or shift -- the tag.

I do not underestimate the significance of the charge we hear so often that such-and-such a chain or group at such-and-such a time and place can exert an unwarranted influence on the price making mechanism. Questions of monopoly or oligopoly power are as old as the Greek language which coined those words. Yet, there are laws proscribing specific acts



and relationships, and we must enforce them vigorously. If people or enterprises violate these legal prohibitions, they must be charged and tried by due process. Mere accusation, or even implication that the accuser alone is on the side of justice, does not constitute due process. Nevertheless, despite the furor associated with change in the status quo, it may be that the more weighty developments in the longer run are some of the less conspicuous and even subtle ones that are coming to characterize trade in livestock and meat.

Take the principle of grades, standards and quality distinction, for example. Most of us learned that grade standards should be drawn up so as to reflect distinctions that the ultimate consumer regards as important. Grade categories should provide a trade language in terms of relevant attributes. The crop divided into grades should be worth more than the field or pen or orchard run of the ungraded crop. We followed these long-accepted rules in developing cutability scores for beef. Cutability seems to conform to the views of consumer towards excessive or wasty fat. Many people think the idea is sound. Your organization has helped in our work along these lines.

Yet many retail or group buyers do not confine themselves to U.S. grade specifications alone. They want a certain distribution of fat, or they name other specifications. They are alleged to cream packers' coolers for their preferred carcasses. Quite naturally, they pay as little premium for their selection as they can get by with -- and a priori there is nothing wrong with such efforts or the counter-efforts of their suppliers.

(more)

Another present development is the private vs. processor label in processed meats. Retailers' private labels may be not only a merchandising device in selling. Some people say that this is a major retailer procurement device that effectively diminishes the merchandising power of the supplier. Per se, there is certainly nothing illegal. Yet there is argument, often violent, with respect to this practice.

Or consider the reportedly growing trend by which packers sell directly to retailers, and also may do so in open-end delivery. The price is to be the National Provisioner yellow sheet price plus or minus a penny or two. Packers who do that may well remove themselves entirely from participating in the immediate price-making process. Or, at least, their effect on price-making is changed.

Still another trend of the times is that toward integrating the successive steps in marketing in the hands of a single firm or, more often, in a cooperative or other group affairs. This applies to a retailer processing his own meat. It applies to a retailer going back one stage farther and feeding his own cattle or lambs. It applies likewise to a packer doing his own feeding. Packer feeding is much more common than retailer feeding. It applies to cooperatives extending their activities into several segments.

My purpose in this enumeration is not to view with alarm. It is not my purpose to imply that law is being enforced laxly or not at all -- that is not true. It is not my goal to imply that accusation is equivalent to conviction -- because that also is not true. It is not even my aim to show that law may not be adequate to present needs. It is first of all

(more)

my aim here to view with an appreciation of the extent to which traditional practices have been departed from -- to show how much times have changed and to agree fully that these changes are serious.

It may or may not be that some of the newer practices are indeed cause for alarm. There is no doubt that relative market power has shifted sharply. Senator Dirksen said last summer just after the bill to establish a Food Commission was passed, "One of the things I hope the Food Commission will consider at length is the process by which these great retail marketing groups are coming to control the production of particular commodities by marketing practices that play off one producer against others." And, he added, "This process could be dangerous." This is an index of concern that is general.

It is with a fear that they are being played off against each other, and equally out of a sense of bewilderment, even consternation, that livestock producers, and many other farm groups, are exploring new approaches and arrangements in marketing. I think it is this same fear that leads sometimes to strong expression by a few people. Perhaps the real fear is that present trends will make all suppliers equivalent some day to hired employees of their customers.

With respect to these difficult matters, there are at least a baker's dozen proposals -- perhaps twice that many. Sometimes farm groups searching for a solution to a common problem take divergent courses and become strong antagonists. As a Government official, I am respectful of all efforts by farmers or by their organizations if they are done in good faith -- and with respect for law. As an economist I feel

(more)



deep concern at the disunity, the splintering, the absence of anything approaching a consensus, among farm bodies when these important matters are considered. As a Californian I get this same answer. California producers of a number of crops found they had to work together and bury their differences if they were to solve their common problems and to survive drastic pattern changes and even sometimes to channel drastic patterns of change.

Some of the proposals for new marketing techniques will prove to be false starts. Others may introduce problems as great as the ones they set out to solve. No millenium is easily or perhaps even ever attained. Yet, of one thing I am fairly sure -- that either effective adjustment to or channeling of changes yet to come is possible only if producers are willing to work together in groups at least with respect to some of their activities.

So, how do these observations relate to cooperatives? If my observations on the present state of affairs in marketing are correct they obviously apply to cooperatives because cooperatives are a major part of the present marketing system.

I can say with assurance that cooperatives can play a very useful role in today's setting. They will not do it, however, if their program is to re-play the past or if their bid for support is solely to repeat old exhortations. Probably the three keys to co-op success have proved to be: Keen sensitivity to changing needs of the market; willingness of members to unite in a common front and commit themselves to a common program of action; aggressive, alert, efficient farmer leadership and

(more)



professional management. Of these three, the major element is the firm commitment of the individual to the group.

There are cooperatives which in fact are no more than a convenience or another alternative channel to the member whose membership may in fact be quite nominal. These groups will not meaningfully affect future patterns of change.

Cooperatives today must tailor their product to market requirements. This involves strict quality control; in my judgment it will increasingly include advance scheduling of deliveries. It involves real commitment by the producer-- some transfer of decision making for some activities to the group for group benefit and at group risk. There is no other way really to get group benefit because without this relationship there is not really a group decision. These kinds of restraints are less strange on the Pacific Coast than in the Midwest. It is normal psychology that since they are not strange there they are not viewed with great apprehension. The necessity for this kind of member-group relationship was long ago recognized.

In some areas, this kind of cooperative principle is applied not only to purchasing and marketing but to bargaining. They especially bargain cooperatively in processing fruits and vegetables, sugar beets, and fluid milk. Some of the strong western co-ops have learned -- in experience gained slowly and at some cost -- that a strong cooperative requires loyalty and even discipline. Once again, as fact rather than theory, it is likely that cooperatives can do a sterling job for their farmers only if they resort to mutual commitment relationships with their members.

(more)

Cooperative marketing contracts are coming into ever wider use in different commodities, areas and functions. Contracting can help meet market agencies' needs for steady supply of product of dependable quality. It has some advantages to producers in obtaining efficiencies in production, procurement and sale. Processor contracting has proved to be desirable and even essential in many processing crops. On the other hand, in the absence of cooperative bargaining, contracting can sometimes leave the individual producer in an almost defenseless state. He may find himself almost without elbow room in negotiating the terms of his contracts. For this reason, if livestock producers should ever make wider use of contracts, the conclusion follows that cooperation can be the major bases of defense and of bargaining for the individual producer.

Finally, I must acknowledge the obligation that falls on the U.S. Department of Agriculture -- and State Departments of Agriculture as well -- to service the fast moving free-wheeling marketing system of today. As I stated earlier, we too may have felt the restraining ties to the past. We are trying hard to keep up to date. We in USDA constantly review our regulations issued under the Packers and Stockyards Act in order to make them fit the later models in marketing. We do not want to inhibit change, but we remain under a mandate to preserve competition in newer marketing methods as in old. Against this and in this new context, free competition means what it has always meant -- that alternatives of purchase and sale must be available so that foreclosure or threatened foreclosure of any one will yield no special advantage. Where that is violated, we must move fast and vigorously. We repeatedly extend and improve our system for reporting market news. We carry out continuous research into the defining of quality in meat animals and meat. Our

(more)

Our food distribution programs help to move meat into consumption. We made a Herculean effort to relieve the beef market of excess supplies in 1964, and we allow ourselves the comforting judgment that things are somewhat better now.

And as one example to show that we have not been looking backward, the USDA took the lead last year, on the instruction of President Johnson, in the exciting move to open up new markets for beef and beef calves in Europe. The volume of shipments thus far is not tremendous but the progress is encouraging. Cooperatives might look at export potentials.

An organization with as estimable record as yours is certain to reach toward new horizons for the future. Two things need doing. You must find means to get one kind of "market power" -- product development and differentiation, promotion, selling policy, and scale of operations sufficient to compete against other forms of operation. And you need to assure that no single channel grows large enough that its foreclosure can be serious on its effects. There are some specifics. Livestock production is increasing in areas with little service from livestock cooperatives. Shifts in market channels and methods are not yet over and the best reaction by cooperative producers is not yet known. Demand for meat is still changing and perhaps cooperatives can speed adjustments by individuals to production of the less wasteful animal types. There is large scale commercial feeding in some areas. It is fair to note that there is really little genuine cooperative feeding of animals in the area with the world's best feed supply. Perhaps it should be

(more)

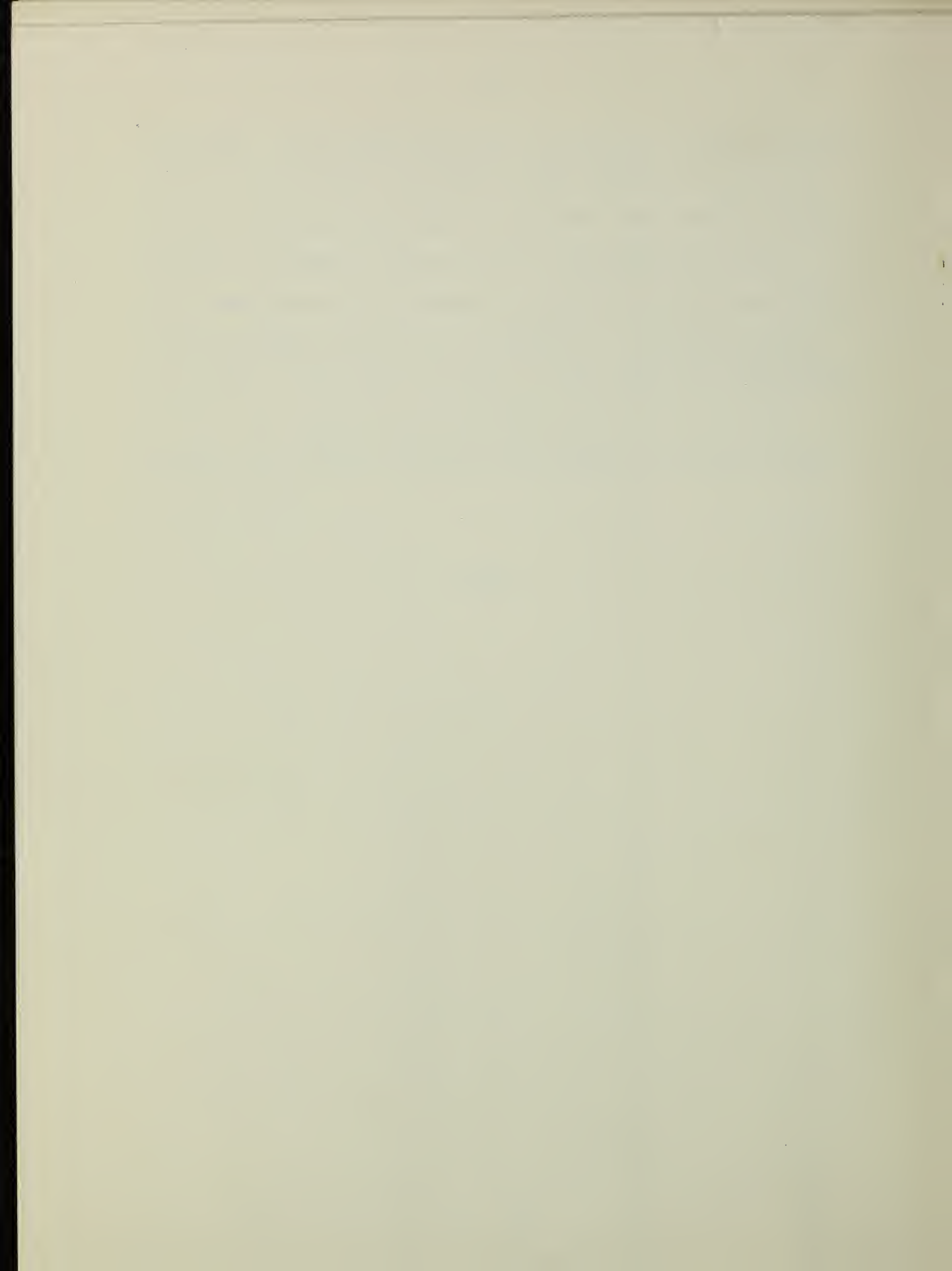


considered. In the nation generally, I am told, the relative status of livestock cooperatives is declining. There seem to me, in short, to be ahead of livestock producers the same needs that persuaded others elsewhere to consider cooperation over a century ago in a land in which production was then difficult or impossible without cooperation. I know perennials and livestock are different -- and the difference is not fatal to livestock cooperation. I know there are special difficulties. Yet, with drive and imagination, and as a distinguished Britisher named Alfred P. Doolittle said, "With a little bit o'luck" - it can be done.

#####







March 8, 1965

AUG 16 1965

FARM POLICY FOR THE FUTURE

CURRENT SERIAL RECORD

On any given day in any given part of this country a new breed of American farmer can be found performing miracles of production. Here in the Midwest he is apt to be a corn-livestock farmer whose operation stresses automatic feeding of hogs and cattle. His farm buildings and equipment probably include a feed storage house, an automatic feed grinding and mixing mill, tractors and field machinery, and possibly a big, new combine which harvests either corn or small grains.

Farming several hundred acres, this new breed of farmer scientifically produces perhaps 40,000 bushels of corn and other grain. He may market 500 hogs or hundreds of head of cattle. He runs his place with all the business-like management and efficiency of an industrial factory -- yet it remains a family operation -- a successful commercial, family-run farm.

This new breed of the American family farmer in the Midwest, the West, the South, or wherever he may be, is concerned with farm policy for the future.

-----

Throughout rural America live some 17 million persons with incomes below the poverty level. About 6 million of them live on farms, upwards of two persons out of five in our farm population. In some areas many of the farms are so small that they have no prospect of producing an adequate family living -- and half or more of the farmers are 65 years of age or older, with many of these farms run by women alone.

---

Address by Assistant Secretary of Agriculture George L. Mehren at the Ninth Federal Reserve District Farm Forum, sponsored by the Minneapolis Chamber of Commerce, Minneapolis, Minnesota, March 8, 1965.

---

These are deteriorated rural communities -- communities which, as matters now stand, offer little or no economic, social, or educational opportunity for the great majority of young people growing up in them.

Rural America, as a whole, is vitally concerned about farm policy for the future.

- - - - -

Indeed, Americans of every occupation and place and level of living -- managers of industry, merchants on Main Street, workers in factories, stores, and offices, professional people, people in transportation and processing, government -- every consumer, every taxpayer, every citizen -- is, or should be, concerned about farm policy for the future.

- - - - -

But there are still others. Halfway across the world Japanese men and women are wearing shoes made from American cowhide, while Japanese school children enjoy lunches the principal ingredients of which are American wheat and dairy products. In India, people are eating chapatis made from American wheat. In Switzerland, fine fabrics are being woven out of American cotton. The British are enjoying American canned peaches and other fruit. The French are buying American pork livers, converting them into gourmet delicacies and selling them in the fancy food trade everywhere. The people of West Berlin, having recently sampled 25 tons of tender, flavorful American beef, want more.

In the emerging countries, too, food from America is raising standards of living and laying a foundation for economic growth. People in Asia, Europe, Latin America, and all over the world are interested in American farm policy for the future.

- - - - -

(more)



I'm glad to have the opportunity to discuss this vital subject with you in the nonpartisan, objective, impartial atmosphere of this Farm Forum.

This year -- 1965 -- is again a year of decision. Along with other Americans, the new breed of successful commercial family farmers have questions to ask: What is the future of the commodity programs? The existing programs for wheat, feed grains, and cotton expire this year. The wool program expires early next year. Where do we go from here?

They ask these questions knowing that their future will be strongly influenced by the answers. It is often assumed that the operators of large, efficient farms would be relatively unaffected if price supports and acreage diversion programs were eliminated. The truth is that all agriculture needs these programs, and operators of large farms need them most of all.

Take an extreme case, the specialized cash grain and cotton farms with gross sales of over \$40,000. In the past three years, with price supports and acreage diversion in effect, these farms had net receipts averaging over \$10,000 per year. Without these programs, and with prices dropping to world levels, the average specialized farm would have lost more than \$10,000 a year instead of netting \$10,000.

In contrast, commercial farms with sales ranging from \$5,000 to \$39,000 had net receipts averaging about \$5,700 over the past three years. Without the support programs many of these farms would have suffered net losses -- but net income for the average farm in this group would still have been around \$3,000.

(more)

Economic studies by private and public agencies alike agree that without the commodity programs net farm income over the past three years would have been cut in half. Instead of averaging around \$12.6 billion per year, farm income would have dropped to about \$6 billion. This would have brought disaster to agriculture -- and to rural America, and to urban and metropolitan America -- but the Sunday punch would have landed first on the efficient, mechanized, successful American family farms.

The value of commodity programs is now pretty generally accepted, and since President Johnson has recommended they be continued, I feel confident that this will be done.

In his farm message of February 4, the President urged continuation of the voluntary feed grain and wheat programs. He added, however, that he would recommend changes to simplify the operation of these programs and make it possible for farmers to grow additional crops -- particularly soybeans -- on the diverted acreage.

He recommended extension of the cotton program -- with specific amendments to be offered which will reduce the cost of the program and the level of cotton stocks.

The Wool Act, he said, is operating successfully and should be extended with minor changes.

The present support programs for dairy products seem likely to be continued, along with the special efforts to expand consumption of dairy products at home and abroad.

We have no plans for a livestock program. We will continue to cooperate closely with livestock producers and the meat industry to support the improvement of the past nine months. Imports of beef and veal in 1964 were 29 percent lower than in 1963 and we expect these imports to continue this year near the 1964 level. We are vigorously developing an export market both for commercial beef and for live beef animals in Europe. These exports thus far have been small, but they constitute a real breakthrough and they could be the beginning of a steadily growing new export market.

While we do not anticipate any immediate drastic changes in commodity programs, this does not rule out the need for adjustments which could be of major long run significance. Such adjustments are definitely in the picture.

The President has called for a reappraisal of the tobacco program and legislation to authorize production and marketing limits on an acreage-poundage basis.

For rice, the President recommends consideration of a program to support the price at competitive world levels and to provide additional supports for producer incomes from the proceeds of marketing certificates, somewhat as is now done for wheat.

The basic objective of the Administration is to improve farm income, to reduce burdensome surpluses and to administer programs at less cost to the taxpayer.

(more)



The farmer is entitled to a fair return in the market place just as much as any other producer in our economy. Unfortunately, what has happened is that his productive success has been used against him. The greater the miracles of production he wrought, the lower his income fell. In the American tradition, increased efficiency does result in lower prices -- but it is completely against the American tradition that increased efficiency should result in lower income. And this is what has happened in agriculture.

While farm production between 1952 and 1960 increased by 19 percent, farm income dropped by 19 percent. We have reversed this disastrous trend and farmers over the past four years have averaged nearly a billion dollars more per year than they did in 1960. Nevertheless, agricultural income still lags far behind the advances achieved by other segments of the economy.

Less than 400,000 farmers now earn a return of 5 percent on their investment, plus a wage comparable to that of a skilled industrial worker. On the other hand, between two and three million farmers, after allowing a return of 5 percent on investment, earn less than the national minimum hourly wage.

As Secretary Freeman said recently, "There just aren't very many rich farmers."

(more)



It has become abundantly clear, however, that our farm people cannot achieve parity of income with the rest of the economy unless and until they achieve it in the market place. So we are searching for additional ways to accomplish this. The use of marketing certificates is one way to put more of the cost of farm commodity programs on the market with correspondingly smaller cost to the government.

At the same time, we must, and will assure that any changes in farm policy will not involve a depressed diet for low income families. We produce enough, and more, to provide food abundance for all. We produce enough, and more, so that everyone in this nation can have available food for health, vigor and bodily development. Any failure to use our abundance in this way is an abuse and unworthy of us as a nation.

The wise use of abundance at home and abroad has been one of our key objectives. This is evident in the expanded school lunch, special milk and food distribution programs. It is underlined by the Food Stamp Program now established on a permanent and expanding basis. The agricultural policy of the future, therefore, will undoubtedly comprise programs designed to assure an adequate diet for all our people, no matter what their income, or where they live.

Other features of future farm policy proposed by President Johnson include:

A larger, more effective, long-range land retirement program --  
The establishment of stocks of agricultural commodities as a  
reserve, insulated from the market, which could be drawn on for  
national security in time of war, for emergency relief purposes,  
and also for purposes of economic stabilization, and --

(more)

Provision for the sale or lease of acreage allotments to family farmers in the same State.

It is said that no man is an island. Neither is any segment of the economy. Agriculture is not an island but a part of Rural America -- and Rural America is not an island but a part of the Whole America.

And so, the farm policy of the future must be broader by far than farming itself.

We seek a basic, but an eminently worthwhile goal. We seek true parity of opportunity for all of rural America -- and for all the people of rural America -- in every aspect of our national life. To achieve this goal, we in the Department of Agriculture, farm families on the land, local leaders of all kinds -- bankers, lawyers, doctors, as well as leaders in business, labor and agriculture -- all of us need to consider thoughtfully the changes which have been and are taking place, and the implications of those changes.

Recently President Johnson gave a new mandate to the USDA. "It is time," he said, "that the Department of Agriculture, which has served the farmers and the consumers of America so well for over a century, assume a full leadership role within the Federal Government to help rural America, as a whole, attain its rightful place within the Great Society."

We do not yet know all the implications of this new mandate. But we do know that where the Department historically may have been concerned primarily with plants, animals, and land, we must now be equally concerned with people.

(more)

And where USDA may have been primarily concerned with the production, marketing, and consumption of the produce of the land, we must now be equally concerned with the nonfarm rural economy.

Most of the families now living in rural America are not farm families. Most of the farm families do not have parity of income with city families. Either nonfarm opportunities must be developed in rural America for the vast majority of people living there or rural communities will continue the slow economic decline that so many of them are experiencing.

It may well be time for this Department to undergo another historic transformation such as occurred in the 1930's. It was then that the Department began a totally new series of dynamic action programs designed for resource renewal and development.

These programs were, and are, useful and necessary. But they were, and are, basically concerned with farmers and farming. Now new needs have arisen and broader action is required. We seek now to write another chapter in the story of rural America.

We have begun. We are widening our concern from agriculture as an industry, to rural America as an element of our national society.

Already a good deal of progress has been made. People in about three-fourths of the counties in the United States have organized rural development committees to come to grips with economic stagnation.

(more)



In the past  $3\frac{1}{2}$  years some 10,000 rural development projects have been completed, and the pace is accelerating. These projects have created more than 300,000 new jobs in rural areas as well as thousands of man-years of employment in occupations associated with these projects.

Over 600 rural communities have been aided in establishing modern water facilities. In fiscal year 1964 alone, credit programs of the Department financed better housing for more than 50,000 farmers, farm workers, rural residents and senior citizens. Some 20,000 farmers and other landowners have been assisted in installing farm or rural recreation enterprises.

Watershed projects approved for recreation purposes in recent months will add almost 20,000 acres of water and land to local public recreation facilities in 19 States. These new recreation areas will attract an estimated 2.7 million visitors a year for boating, fishing, swimming, picnicking, camping, and allied forms of recreation. They will have a favorable economic impact on nearby communities.

Rural development activities now going on throughout the nation will exert an ever-widening circle of influence. The beginning is bright with promise. But the new chapter in the agriculture story demands that we do better, and more broadly, and with stronger and more systematic organization, what we have set out to do since 1961. We must broaden rural areas development, broaden research, broaden extension -- and broaden our cooperation with other agencies, public and private, in the service of rural America.

Rural people must make full use of the new tools proposed by the President and provided by the Congress -- such as the new Economic Opportunity Act.



To foster this objective is the task of the Department's newly established Rural Community Development Service. This new agency will help to bring the services of all other agencies of the Federal Government -- and private agencies, too -- into rural areas with increased effectiveness.

As I intimated in beginning this talk, farm policy for the future is of growing concern even to people thousands of miles beyond American shores.

Without duplicating the subject of Dr. Danielian, let me just emphasize these points.

Farm exports are becoming more and more important in the agriculture picture. Back in 1959 our exports represented the equivalent of the production of 40 million U.S. acres. Last year we exported the equivalent of 75 million acres -- about one acre in four of our land used for crops.

In terms of value, last year's exports reached the all-time high of \$6.1 billion -- nearly double the level of 10 years ago. We anticipate an export volume of \$7 billion by 1970 or even earlier.

Trade barriers are the biggest problem we face in building exports. In the Kennedy Round of talks now going on at Geneva, Switzerland, under the General Agreement on Tariffs and Trade, we are striving to keep the countries of the world from sealing themselves off with high trade walls.

Meantime, we are continuing market development work abroad with excellent cooperation from industry. Today, 47 U.S. trade and farm groups work with our Foreign Agricultural Service on development activities covering virtually all major commodity groups.

(more)

This work is going on in 67 countries. In 1964 over \$18 million was spent on the program, \$7 million from private sources, \$11 million from the government. Government funds are derived from sales of surplus farm products sold to less developed countries for foreign currencies under Public Law 480.

Of increasing importance are commodity "conferences" held in connection with U.S. exhibits at international trade fairs. For example, "meat conferences" at recent Hamburg, Paris, and West Berlin exhibits brought together U.S. and foreign meat trade people for discussion of meat quality, supplies, prices, shipping, and delivery schedules. Permanent Trade Centers at London, Milan, and Tokyo are aimed directly at the trade.

But we also are keeping consumers in mind, because, through them, we create demand for our products. We have reached over 50 million foreign consumers through 150 exhibits in 35 foreign countries. We have reached many more in other ways -- through advertising, mobile exhibits, distribution of samples, contests, and other tested promotion techniques.

What then is our Farm Policy for the Future? It is a policy with five basic objectives:

1. An abundance of food and fiber at reasonable and stable prices for the people of the United States.
2. Effective use of our agricultural resources to promote the interests of the United States and world peace and economic development through trade and aid.
3. A workable balance between supply and demand at lower costs to the government.
4. Opportunity for the efficient family farmer -- the new breed of American farmer -- to earn parity of income from farming operations.

(more)

5. Parity of opportunity for all rural people, including new opportunity for small farmers.

Can we achieve all this? I believe we can -- if we get together and really tackle the job.

We have a mountain to climb and it is very high. At times when we look at the size of the task it is easy to be tempted to discouragement.

But do we dare be discouraged when we consider how far America and American agriculture have already climbed even in our own generation?

On the contrary, we take new heart. We can write a new chapter. We are writing it. We shall bring about a new era in agriculture and a rebirth of rural America -- as part of the Great Society that is this nation's destiny.





AUG 10 1965

CURRENT SERIAL RECORDS

THE NATIONAL COMMISSION ON FOOD MARKETING  
FROM AGRICULTURE'S VIEWPOINT

When future historians write the record of our times, they almost certainly will do so in terms of the hospitality our generation has shown toward exploration and innovation, toward new directions and developments. They may note how sharp a contrast this attitude is with earlier traditionalism. They may see that a spirit of competition is a part of the restless surge of our day. They may also recognize, perhaps more sympathetically than we do today, that this dynamism and this competitiveness claim their casualties and exact their costs. Fortunately, there are some mitigations of those costs.

The more enlightened among future chroniclers will be able to do that which we cannot ourselves do with any certainty, namely, to make a judgment as to how well our age succeeded in guiding the dynamic forces it generated, and the degree to which individual freedom was left unimpaired in the process. They will know better than we whether, whenever we change, we change for the better.

For change of itself does not necessarily imply progress. Innovation of itself is not necessarily improvement, nor does every step we take invariably carry us forward.

We envy future historians their vantage point. Ex post wisdom is the easiest to come by. We today must act without that. On the contrary, we must look ahead and try to foresee the future outcome of the changes that now surround us.

Address by Assistant Secretary of Agriculture George L. Mehren at the annual convention of the National Independent Meat Packers Association, Americana Hotel, Miami Beach, Florida, January 14, 1965, 10:00 a.m. (EST)

That is to say, if we are to chart a course in economic affairs that will win good marks from the savants of the future -- and more importantly, enhance the values on which we agree -- we must base that course on our present knowledge. The capital of knowledge, unlike finance capital, cannot be borrowed against future earnings. It must be accumulated currently from that which we discern or think we discern in the often unclear past and the sometimes murky present.

It is to build this base of present knowledge as a means to project the future of one big and important sector of our economy, the marketing and distribution of foodstuffs, that a National Commission on Food Marketing was established by Act of Congress last year. Let me emphasize that the assignment of the Commission is of immense import to every phase of life in this nation. Both the legislative history and the actual text of S.J. Res. 71 establishing the Commission are eloquent with the broad scope it is designed to encompass and the high purpose it is expected to serve.

In a word, the Commission is called on to make an inventory of the changes that have taken place in the food industry, particularly during the last 20 years, and to assess the eventual outcome of those changes if they were to continue unchanneled and unchecked other than by existing constraints or those self-generated in the future. It is asked to describe the kind of food industry that would incorporate the benefits of those changes and yet "achieve a desired distribution of power as well as desired levels of efficiency." It is not specifically charged with making legislative recommendations. Yet to the degree that it discharges its mission successfully, to that degree will its findings be significant to

(more)

private and public policy in the marketing of foodstuffs.

The Commission is given membership and granted authority commensurate with its assignment. It is composed of 15 persons, 5 of whom are members of the Senate, 5 are members of the House of Representatives, and 5 are public members appointed by the President. Its chairman is the Honorable Phil S. Gibson, retired Chief Justice of the Supreme Court of the State of California. The Commission is authorized to appoint a staff, but may also obtain information through contractual delegation. Dr. George Brandow, a distinguished professor of agricultural economics at Pennsylvania State University, has been named its Executive Director. The Commission is authorized to hold hearings and it has subpoena power.

It is charged with completing its study by June 30, 1965, but I think that all agree that it would be most difficult for it properly to meet its full charge by then.

I have chosen to delineate the role of the Food Commission in the broad historical context of how the present generation is to manage its economic affairs, for three reasons. The first and major reason is the simple and easily defensible one that the sequence of events leading to enactment of the enabling Resolution demonstrates that this is the proper way to view it. The basic legislative proposal was couched in statesmanlike terms. Support was virtually unanimous, something that does not often happen with a proposal of such substance. To be sure, there were reports, sometimes in the nature of rumor or hearsay, that the Commission was really aimed to destroy or whitewash one target or another be it chainstores or packers' margins in beef or whatnot. The

(more)



Commission will doubtless be concerned with the operating practices of retail food chains and other mass distributors, and with trends in marketing spreads for foods and especially for beef. These are major questions now and for the future; but the Commission can consider these and other specific questions of immediate interest effectively only if it does so within the broad frame of causes and effects of change in the food marketing system as a whole.

Throughout the hearings on S.J. Res. 71 the viewpoint recurred that there have been vast changes in the system by which the nation's food supply is marketed and distributed -- and that these changes have affected the basic nature of farm production and its markets. They are changes in physical form and servicing of products; changes in make-up of markets and market channels; changes in size and scale of market firms and in relations between them; changes likewise in the relations between whole segments of the food industry; changes in merchandising practices such as vigorous and ingenious methods of promotion and mass nation-wide distribution; changes in the way retailers buy and farmers sell -- in short, drastic and dramatic change in every attribute, dimension and relationship of this giant part of the American economy. There have been birth and growth of the new and shrinkage or death of some of the old. There have been costs in human terms, hard to measure but clear to see.

These various changes are so numerous, so pervasive, so powerful in impact -- and so little understood -- that during the hearings on S.J. 71 every spokesman for every interest agreed that those changes ought to be analyzed by an unequivocally impartial and competent body. Quite

(more)



truly, the Commission was born in a spirit of constructive inquiry into massive change. It was not born to accuse, to condemn without due process, or even necessarily to condemn at all.

The second reason I classify the Food Commission's assignment in broad terms of dynamism in our economy is that its mission is fully consistent with our national tradition of the role of government in seeking fact where fact is needed. The principle of select inquiry is not new in this nation. Some meat packers -- and others -- may reflect, "We've been here before." You -- and others -- have; and you -- along with others -- will doubtless be there again if future change extends the present pace. Many of you will remember the Temporary National Economic Committee -- the so-called O'Mahoney Committee -- which looked at length into the workings of the economy in the late 1930's. A few of you may have memories long enough to recall the inquiry into the live-stock and meat trade President Wilson instituted in 1917. This Commission has predecessors in the principle of seeking truth without preconception, as neither apologist nor defender, in order to arrive at a basis for policy-making for the future.

Moreover, the principle of applying rationality to the powers and limitations of government is as old as our nation. Our Constitution is a rational document and the Federalist Papers which sped its adoption are a classic among political writings. Over almost two centuries the doctrine has evolved that the powers of government as constrained by Constitutional and legal limits are to be employed to the end that our economic system shall be consistent with our common democratic goals. Over the long pull of American life, they have been so used.

(more)

In several respects agricultural production and meat packing have common cause in their relationship to government. They therefore have a shared interest in the work of the Food Commission. Both are predominantly organized as relatively modest business enterprises. Almost all farms are small businesses, and even though some meat packing firms are very large the commercial packing industry is one of the few food processing industries in which the number of firms has increased rather than decreased. It even differs from farm production in that regard.

Many farmers and meat packers sometimes seem scarcely to be aware of the real rather than the mythical role of Government. The fact, as distinguished from the myth, is that Government in no sense directs or dictates but it does set the metes and bounds within which the competitive system operates. Furthermore, the fact is that only government is capable of setting and enforcing the rules of the road for business activity. It is being recognized too that in our interdependent and sensitive economy, government has some measure of responsibility in helping to achieve stability and growth. All this has come to be the American creed of relationship of the public and private sectors of our economy.

Perhaps some among the vast majority of Americans who subscribe to that creed and who concede that our government by and large conforms to it would be reluctant so to testify. Yet the rules of trade enforced by government and the services performed by government may well be essential to the welfare of livestock producer and packer alike. Among the former are anti-monopoly statutes and the trade practice rules of the Federal Trade Commission and the Packers and Stockyards Division.

(more)

Among services are market news, statistics and research; also grading, inspection and certification -- without which, quite literally, neither livestock production nor meat packing could have become what each now is.

Farmers and meat packers will likewise be alert to what the Food Commission will have to say about some of the newer relationships, arrangements and practices in the way business is done. Is it desirable to integrate to the point that open price-making disappears and competitive independence may be lessened? Or is such coordination actually to the long run good of Americans generally? Do some forms of promotion such as selective discounting and the incessant brand war interfere with fair competition, or are they in fact elements of fair competition? Are or are not suppliers often in the position of committing themselves to delivery without agreed-on price -- terms that are accepted because there are no alternatives? Have some suppliers become almost captive to their outlets, so that they have little or no bargaining room? Or, has there instead been enhanced efficiency without diminution of real competition?

These are the kinds of questions one hears repeatedly, from many sources in many places. Sometimes their enunciation is violent and self-interested. Sometimes these questions reflect well-founded concern. Inquiry into these kinds of questions fits within our concept of the role of government. Questions like these cannot really be engaged validly except by an impartial agency operating within government.

Running through all these issues and disputes is the fundamental principle that if our economic system is essentially to rely on independent enterprises competing as to price, quality and service,

(more)



each enterprise must be free to exercise a range of choice - choice in where and how it buys, and where and how it sells. If each cannot do that, the relationships that give driving force to the system are no longer competitive but are pre-emptive. This, I think, is what is at issue. How do we continue to enhance efficiency, spread its benefits equitably, and yet also keep open competition and entry into business?

Finally, there is a third reason for viewing the Food Commission in relation to its overall mission rather than its particulars. It is that only by charging a new, detached and independent body with such all-encompassing duties could there be avoided the pitfalls of disputes about existing government action, conflicts turning on short-run interests, and the rancor of long-held animosities.

Some meat packers, being human beings like other people in the food industry, may think of the Department of Agriculture almost exclusively in terms of the latest ruling by the Meat Inspection Division, or how closely federal graders grade "liners" among beef carcasses, or whether adding cutability would improve beef grade standards, or whether the Department or the Federal Trade Commission has jurisdiction over a particular trade practice. All these are properly the subject of exchange of opinion between packers and the Department. We solicit and welcome that opinion and we can resolve these matters through due process as we always have resolved them.

But if the high objectives of the Commission's study are really to be met, then controversy over these more narrow aspects of government action must be subordinated to larger issues. Further, the question of what kind of regulatory authority should be enacted is far more important

(more)



than the housekeeping detail of which agency of government should administer it.

I could readily add a fourth reason I encourage you to look at the Food Commission in terms of its grand purpose. This fourth reason is half realism, half prudence. The broad charge was given to the Commission by the Congress. As of now, specific information as to how the Commission will conduct its study in order to meet that charge is not available. The work is just beginning to get under way. Thus far, its members and staff have themselves been reluctant -- and quite properly so -- to project their program of activity in other than general terms. It would be inappropriate, even grossly presumptuous, for me to say that which the Commission is as yet not prepared or willing to say. Monday morning quarterbacks are scoffed at but Friday evening volunteers are rightly held in even lower esteem. And again, the effectiveness of the activities of this Department is a proper -- and we hope a fruitful -- area for consideration by the Commission. Therefore, we are prudently restrained in commenting on its operating program.

The Department of Agriculture is involved in the work of the National Commission on Food Marketing in at least three ways. First, the Department was a co-sponsor. We joined in sponsoring legislation to establish it for the same reason that so many other groups and people supported it. We know that there is much happening in food marketing that we do not fully understand and that we ought to understand to meet our own duties effectively.

(more)

Secondly, we will doubtless be called on for much information bearing on the Commission's study. We have offered to provide whatever is within our capacity to provide and is wanted, and our offer is most sincere.

And thirdly, we will be subject to the Commission's findings. We need to know and we want to know whether the activities we carry on and the services we provide truly meet the needs of the marketing system of today and tomorrow. Is our marketing research directed where it should best be directed? Are our market news, inspection, grades and standards and other services being updated often enough? We know, as do others, that our regulatory activities under the Packers and Stockyards Act must constantly be appraised for relevance to today and tomorrow. The Commission may quite properly find it desirable to comment on the adequacy of present legislation and administrative rulings under which we currently function.

Perhaps the heart of my remarks today is that the National Commission on Food Marketing was not intended nor does it regard itself as just another mill for turning out research reports. It is not just another compiler of massive statistical records, nor even a new destination for complaints of the aggrieved. It may perform each of those services, but only incidentally to its principal mission. And that mission is one that touches every firm that buys a cow or sells a sausage, just as it touches every administrative agency of the Department of Agriculture and every human being in this country. For it will have much to do with the shape of things to come in the system by which food products are supplied almost daily to our 190 million consumers -- and to those people affected

by our export trade abroad. That is a marvelous system in many ways. It is a complex interlocking system and growing more so. It largely operates through several million farmers selling to many thousands of processors, distributors and retailers, all of whom are expected to function within delicately poised but equitable competitive relationships, and to operate principally according to price signals. How to incorporate change while preserving the essence of that system is the formidable assignment on which the National Commission on Food Marketing is embarked. Efficiency is at issue; it is central. Freedom of enterprise is at issue. No constraint should be imposed without knowing purpose and effect. Yet, in fact and not in myth, we have always constrained freedom of action where our values required it. More than anything else, the questions before the Commission involve finding a way to avail of change to strengthen and not to distort or weaken or throttle the goals to which we all agree. It is a formidable task. The Commission's progress merits both the attention and the helpful co-operation of the members of your Association.

#####





AUG 10 1965

MARKETING IN A NEW AGE

CURRENT SERIAL RECORDS

A280,39  
m472  
Cap2  
Oct. 29, 1964

I am delighted to extend my congratulations and those of Mr. Freeman and the Department of Agriculture at large to the members, directors, and management of the New England Milk Producers' Association on this, your 50th anniversary.

You can well be proud of a half century of service -- of contributions to progress in production and in marketing and to the well-being of both farmers and consumers. And you may be sure that over the next 50 years there will be no lack of opportunity for further contributions.

Your anniversary comes at a time when cooperatives are receiving renewed attention and being looked to with renewed hope as a major means of strengthening our farm economy. Both President Johnson and Secretary Freeman have given their strong support to the cooperative idea as being in the general public interest. "Cooperatives," the Secretary said on one occasion, "form the core around which the future progress of agriculture will revolve."

The Department of Agriculture has always followed a policy of fostering and working with cooperatives, recognizing that they provide a means of reconciling two explicit purposes of the

---

Address by Assistant Secretary of Agriculture George L. Mehren at the Golden Anniversary meeting of the New England Milk Producers' Association, Hotel Bradford, Boston, Massachusetts, October 29, 1964, 6:30 p.m. (EST).

---

American people: (1) to provide fair opportunity for the independent family-operated farm to continue as a major institution in our society and at the same time (2) to provide open opportunity for enhancement of economic efficiency in all industries.

But drastic and fundamental changes in our farm production and marketing system have given new meaning and new urgency to this policy.

This is why Secretary Freeman, in testifying before the House Subcommittee on Family Farms last year, called on Congress to consider means whereby cooperatives can compete more effectively with "new forces in agriculture's market place" and to do so without unfair advantage. He also called on individual farmers to join together in strong cooperatives, and to explore the possible need for new types of selling and bargaining cooperatives and to understand the obligations as well as the benefits of cooperative membership.

The need to understand and to deal effectively with rapid change is of course a challenge faced by everyone -- it is one of the basic problems of our age. For the fact is that we are living today in an age that is radically new in many aspects of human experience. It is in part the product of a scientific revolution that has brought about immense change in virtually every dimension of our lives. And it has brought changes much more quickly in many cases than we can comfortably adjust to.

The scientific revolution -- of which the revolutions in agricultural production and marketing are a part -- has brought us marvels that could scarcely have been dreamed of when this organization was founded 50 years ago.

Although 50 years may be but an eye-blink in the span of human history, the half-century we mark here tonight probably has no parallel in all past periods of change and development. In those years we have gone from the first crude automobiles to the jet plane -- and even to astronauts zipping around the earth and taking aim on the moon...from crystal-set radios to communications satellites...from the beginnings of mechanical refrigeration to the development of food preservation through atomic radiation. It now seems possible -- if even quite some time from now -- that we may accomplish what more than even three centuries of New Englanders have failed to do: control the weather.

But with all the good that it is bringing, this scientific revolution -- because of its breathless pace -- also creates new social, economic, and political problems. Many people feel lost, unable to understand. Others are adversely affected and seek persons or institutions to blame.

President Johnson noted this situation not long ago in a most perceptive statement. He said, "The most prosperous, the best housed, the best fed, the most intelligent, and the most secure generation in our history -- or in all history -- is discontent. Why?"

(more)

Such feeling is not new, of course. In a real sense, healthy human beings are discontent -- or they might still live in trees. People like ourselves are products of a restless continent, and as immigrants our fathers must have been the most restless. Yet, even in the 1930's there were serious proposals for a "moratorium on science" to allow time to digest and adapt to new discoveries and to all of their implications.

But whether we like it or not, we simply can't turn off the revolution in science and technology that has so changed our lives. Even if we tried merely to slow it down we would run into serious difficulty. Our economy and standard of living would decline, and so would our position in the world and our ability to defend ourselves. And, somehow, even to contemplate this is alien to human, and perhaps especially, American character.

What we must do is devote ourselves to finding the means of stepping up our social and economic adjustment to the science and technology of the age in which we live today and will live tomorrow. Our challenge is to use our new discoveries and our new tools not only to benefit our physical well-being but also to protect our freedoms and enhance our development as individuals -- to preserve the values on which this nation was founded. We must indeed, as President Johnson has pointed out, build a Great Society in which the "meaning of our lives matches the marvelous product of our labor." There is room to lift the quality of life here and everywhere.

(more)



A part of this challenge is surely directed to the agricultural sector of our economy with which you and I are most concerned -- and to agricultural cooperatives such as yours.

.It is the special responsibility of those of us in the field of agriculture to find the means to close the gap in some industries and areas represented by our capacity to produce almost unbelievable abundance, on the one hand, and, on the other, our need for better social and economic organization, both to manage that abundance and to utilize it fully.

It is also our responsibility to gain better understanding of the structural changes taking place throughout the agricultural sector -- and most particularly in the food marketing sector -- and to find the means of channeling these changes as all change must be channeled if it is to remain in our control.

So far as utilizing the abundance we are capable of producing is concerned, we have, I think, made a good start -- but only a start. We have through the Food for Peace program fed millions of the hungry in other lands. We have used food aid to help developing nations build their own economies toward a goal of self-sufficiency. Some of the nations we have aided since World War II have now become our best cash customers for farm products. But many of the troubles involved in the world food problem have not yet been solved -- nor will they soon be solved.

(more)

At home, we have developed new programs and built on old programs to improve the diets of those who have not shared in the affluence now enjoyed by the majority of the people in this country. Through improving the quantity and the quality of foods we distribute to needy families, to charitable institutions, through the school lunch and special milk programs, and through the Food Stamp Program -- now, at the request of President Johnson, a permanent rather than a pilot program -- we have in some measure improved the nutrition of those who need it most. Yet much more remains to be done. There are, for instance, two-thirds of our school children who are not taking part in the school lunch program -- and this includes many of the most needy. We must find ways to make it possible for these children to have the food they need, even though they may be attending schools in areas in which few, if any, children may be able to pay for all or even a part of this lunch. This is not only morally right -- it is economically sound. Because improving nutrition improves people's ability to learn, their physical ability to perform useful work, and their spiritual determination to lead a useful life -- it helps them to become self-reliant and productive citizens, and it gives opportunity fully to develop the potential that is born in all of us.

The problem of managing abundant production -- which is surely a unique problem in a hungry world -- is another that is far from solved. In truth, it is a small problem in the face of the success of our farm production system and the processing and distribution systems of this country. We have tried different

(more)

approaches to the problem, and while none has been perfect, each has helped a great deal to ease the strictures of harsh adjustment and to sustain the family-operated farm in a period of rapid and massive change.

Among the more successful programs we have had -- if not to manage abundance, at least to assure orderly marketing -- has been, in my opinion, the marketing order program in which cooperatives have played the leading role. In fact, it is a program first built and perfected by cooperatives, and built by them largely in their own image. This organization, for example, was one of those instrumental in developing the use of classified milk pricing and in developing many of the other provisions now included in most Federal orders.

The Boston Federal milk order was one of the first to go into effect. Over the years your association has provided leadership in proposing changes needed in the order to keep it attuned to changing marketing conditions.

As an instrument for economic adjustment, marketing orders have achieved a degree of sophistication unequalled even in industry. They are, in Edwin Nourse's often-quoted words, "a truly unique marketing institution, neither quite free nor fully controlled but heavily 'conditioned' by both private and public mechanisms and policies." And perhaps they provide good example to require care in the use of many words.

(more)

Although there seemingly is always some kind or degree of controversy -- large or small -- going on in regard to milk orders and their operation -- though they were never intended to and never can solve all the problems of the dairy industry -- yet it seems to me that this program is one of the soundest examples of cooperative self-help and government-industry cooperation yet devised, and one of the most democratically operated.

It may well be, as Dr. Nourse has said, that the milk marketing order system "holds the possibility of becoming the 'perfect market' in an industry of inherently small operating units, preserving the virtues of individual free enterprise along with the economic and social efficiency of national integration of supply factors and demand factors, rationalized in the public interest." Or, differently stated, they may well provide a means to assure the public of efficiency gains, producers and others of reasonable stability, and all of us fair and open competition.

Whether or not producers of other commodities will be able, or will wish, to adapt this technique to their own use remains to be seen. Fruit and vegetable producers have of course long since done so.

By whatever method they choose or can avail themselves of, however, it seems certain that farmers in most commodities and areas now must organize in some way to meet the problem of adjusting to an almost wholly new system of processing, supply, and distribution -- the marketing revolution, if you will -- if they are in fact to remain



independent economic units able on their own to meet the competitive tests of the American system of enterprise.

The broad changes in marketing which have affected the whole food industry from producers through to retailers are easily seen, at least in broad outline. The most notable perhaps is the increasing volumes handled by individual firms in many parts of the food and fiber industries. In food retailing, the number of stores has dropped rapidly while the average size of individual stores and the average volume of business that each does has grown tremendously. Food processing plants have also increased volumes handled. In the dairy industry, for example, from 1939 to 1958 average production per plant increased 87 percent for butter, 271 percent for American cheese, 94 percent for evaporated milk and 263 percent for nonfat dry milk. And there have, of course, been many large and efficient dairy processing plants built since 1958.

Service aspects of food marketing have also changed tremendously -- accounting in part for the large increase in what are called "marketing costs." Many of the functions once performed on the farm and in the kitchen, as we all know, are now performed in marketing channels -- and apparently much more efficiently, or at least more competitively than they were previously done.

The redesign and relocation of wholesale market facilities -- improved management and availability of capital -- improved technology in food processing and handling -- such developments as continuous processing equipment, unitized and bulk handling,

(more)

conveyor belts, pallet loading, and atmospheric controlled storage facilities -- all of this played a part in the changing structure and operation of the food marketing system.

The new marketing system of large scale enterprise, which closely resembles that for many industrial products, has needs and requirements that are new to agriculture -- the need for close coordination between all segments or levels of the system, the need for precisely scheduled delivery of large volume of product, produced or sorted to exact requirements for quality, size, package, and uniformity.

Some of these requirements may be difficult if not impossible for the individual producer to meet unless he operates on a very large scale indeed. Many have found through their cooperatives and through other forms of organization the means of meeting these requirements -- yet even they are somewhat apprehensive concerning the changed and still-changing market system with which they must deal. And in truth, the pattern of change has been so pervasive that some degree of apprehension is only natural.

They -- and all of us -- are in fact largely ignorant of the precise dimensions of the changes that have occurred -- their causes and effects -- and their possible implications for the future, not only for the farm and food industries but even for our whole free economy.

This is why President Johnson asked for and Congress authorized a National Commission on Food Marketing to study and

(more)

appraise the "revolution in marketing." From it we may hope to learn more about the economic forces at work -- how prices, for instance, are being made in a market that sometimes precludes the type of open trading that once was the traditional basis of our competitive marketing system. We may hope also to learn whether government services and regulation designed to foster not only efficiency and orderliness in marketing, but also equity and opportunity for all participants -- and to assure fair, honest and open competition -- are still adequate to the task -- or whether new services, or new laws -- may be required in order properly to serve the objectives for which they were initiated, and to do so in the context of today and tomorrow.

We hope, in short, to gain better understanding of that which has happened, is happening, and may happen tomorrow in the whole broad field of food marketing, so that we may move to close the gap between our technological progress and our ability to deal with it, and to do so without violence to the rights or opportunities of our citizens.

In the final analysis our judgments with respect to the system for marketing farm products are closely related to our attitudes toward the entire economy. What kind of economy do we want? What kind of world? How are we to reconcile our traditional respect for the individual with the imperatives of organization and discipline in an increasingly industrial and urban society?

These are questions of concern not just to farmers, but to every person in this country. Our whole way of life is closely bound to the kind of economic system we have. And our agriculture -- the independent, family-operated farm -- has been the bedrock foundation on which this system was built. The food and fiber industry is still by far the largest sector of the American economy.

Cooperatives over many years have helped to keep this foundation strong -- they can perhaps in this new day do more than ever before to shape the kind of agriculture that will prevail in the years ahead.

Many different kinds of group agencies have borne the appellation of cooperative. Many have performed well and some have not. Some now operating have made excellent adjustment to changing technology and industry organization. Cooperatives have not been and are not now the single form of organization effectively serving the public interest. Yet, beyond doubt, in the years ahead, they will play a vital role in the development of our society.

The forces of change that we must live with are great -- but they are not uncontrollable. With determination and with understanding, we can, under our system of freedom and law, turn them to our advantage and mold the Great Society that the founders of this nation first envisioned.

As President Johnson has said: "The challenge of the next half century is whether we have the wisdom to use our great wealth to enrich and elevate our national life -- and to advance the quality of American civilization."



U.S. Department of Agriculture  
Office of the Secretary

WHAT COOPERATIVES CONTRIBUTE TO THE CONSUMER

The days of agricultural abundance have been with us so long that we take them for granted. The prices we pay for this abundance, in spite of what we may say after a trip to the store, are relatively low when placed against two measuring sticks -- the percentage of our incomes we spend for food compared to earlier years and compared to the ratio in other countries.

Cooperatives have had a very real part in helping bring the food and fiber miracle to America. They have many stirring stories of outstanding success to tell.

What we will examine here, however, is how these various types of cooperatives are benefiting consumers today. We plan then to explore briefly how cooperatives can continue to give efficient and equitable service to both producer and consumer in tomorrow's vast industrial complexity.

We will examine what first surfaces to mind -- the more obvious contributions of cooperatives, and then probe deeper for the submerged or hidden values not so apparent at first glance.

These explorations will venture a way into the future -- seeking out operating concepts by which cooperatives can continue to benefit the entire economy.

---

Address by Assistant Secretary of Agriculture George L. Mehren at the Seminar on "What Cooperatives Contribute to the Consumer," Friday, October 16, 1964, 3:30 p.m., 6962 South Agriculture Building, Washington, D. C.

---

## Five Clearly-Visible Values

I see five main contributions cooperatives make. These are: Providing quality products, giving service to consumers, offering new products and processes, holding down production and marketing costs, and improving the general welfare.

### I. Providing Quality Products

I come from a State where producers early learned to use cooperatives wisely, to forge a stronger link for themselves in the marketing chain. At the same time these producers had the foresight from the very beginning to realize that their cooperatives could be effective only if the consumer wanted their products.

California has a history of building markets for quality products through effective merchandising and advertising. The fact that the State leads the Nation in dollar volume handled by cooperatives attests to their success.

I speak of this only to give you one foretaste of what cooperatives have meant to consumers to illustrate the first point on quality foods.

For the magic passport to reach consumers has the word quality stamped all over it. Many cooperative products bear this stamp and this makes their journey from producer to consumer easier.

To earn this quality passport requires intensive cultivation and care every step of the way -- from seed to tillage, from harvest to handling and processing, from shipment to consumer outlet.

(more)

Certainly cooperatives have the structure and mechanism to opt for quality.

For together in a cooperative, producers can afford to hire trained and qualified people to help them find the best seed, to keep up with the best field practices and to bring these to their individual farms, and to time their harvest.

Together in a cooperative, producers can afford equipment, facilities, and man-power near their fields that keep the product up to the quality standard it had when it left them.

Together, producers can employ talents and skills to build good brands.

We have hundreds of examples where cooperatives are doing just these things, and have filled a showcase of quality products for the American housewife.

Let's go down the roster of some of these. In dairy -- Land O'Lakes, Challenge, Darigold, Dairylea come quickly to mind. In fruits -- Sunkist, Sunsweet, Sealdsweet, Skookum, Welch, and Ocean Spray. In poultry and meat -- Rockingham, Norbest, Goldkist, and Tend-R-Leen. And to name a few others -- Diamond walnuts, Sun-Maid raisins, Riceland rice, and Sioux Bee honey.

The specifics on how cooperatives earn their quality passport involve many things.

(more)

For more than 40 years Naturipe Berry Growers, San Jose, California, has searched for improved strawberry varieties and better handling methods. It led in establishing uniform standards and early started pre-cooling the berries to maintain quality.

Plains Cooperative Association, Lubbock, Texas, tests producers' cotton to measure staple length and ability to take and retain dyes. It has also developed techniques to classify for fineness and color. These tests assure buyers what they are getting, and also help growers determine the type and variety of cotton they should produce to meet the consumer demand.

A number of Midwest grain cooperatives now have laboratories in their elevators where they mill the grain into flour and bake products from it. They then give millers and other buyers guarantees on how well the cooperatives' wheat will perform in milling and baking. And as with the cotton testing laboratories, the grain cooperatives can help their growers change varieties or practices to get the quality of wheat that buyers want.

California Cannery and Growers Association, San Francisco, screens growers before they can become members on several counts -- and among these is whether they produce a good quality product.

Fieldmen of the National Grape Cooperative Association, Westfield, New York, owners of the Welch Company, test the

(more)



grapes in the field for proper ripeness and tell the grower when they should be picked to assure the best quality.

The cooperative drive for quality reaches back to the farm in other ways. Many farm supply cooperatives have set up demonstration, research, and testing farms. Here they test feeds in order to get the best gains and meats from livestock and poultry.

They keep in close touch with experiment station and other research to find the best seeds and tillage practices or other improved production ideas. They then act as conveyors of these production ideas direct to producers -- with a better quality product resulting on the farm.

Cooperatives thus help get research results into use more quickly by the direct advice of skilled fieldmen and by telling members about them through their publications and in meetings.

Cooperatives also help consumers identify quality produce. Muscatine Island Truck Growers Association, Fruitland, Iowa, approves use of a guaranteed quality label on potato bags as an imprint and as a small seal on individual cantaloupes. The Association cooperated with the Iowa State Horticultural Society and the Iowa Agricultural Marketing Division in developing this label. Only members who packed a U.S. No. 1 grade or better have approval to use the label.

(more)

Many cooperatives have helped the U.S. Department of Agriculture in its grading and standardization programs -- all part of the quality approach. Norbest Turkey Growers Association, Salt Lake City, was the first commercial firm to adapt U.S. grades and standards for dressed turkeys.

In 1960 Turtle Lake (Wis.) Cooperative Creamery Association became the first dairy manufacturing concern in the United States to receive a permit to label its dried skim milk products as strictly Grade A quality. Since many larger markets now specify that cottage cheese be produced only from Grade A milk, the Turtle Lake group and several other cooperatives specialize in making a powder that meets the most stringent requirements of these markets and provides consumers with high quality products.

Lake to Lake Dairy Cooperative, Manitowoc, Wisconsin, also was the first firm to be authorized by USDA to label consumer packages of cheese with its U.S. Grade AA shield.

## II. Giving Service to Consumers

Many cooperatives have been alert to the new demands of their customers for convenience foods, for good packaging, and good merchandising.

Rockingham Poultry Cooperative, Broadway, Virginia, was an early leader in marketing cut-up and prepackaged poultry, all ready for the pan.

(more)

Cotton Producers Association, Atlanta, Georgia, is now market testing breaded broiler pieces, first selling them to a restaurant chain. It will also have pre-cooked broilers in many forms ready for test marketing soon.

Some cooperatives conduct dealer and consumer education programs on proper care and handling and better ways to use their products.

A number of them have test kitchens where they develop recipes and pass them on, both as a consumer service and as a merchandising device to sell more of their product.

Cooperatives have been a part of our vast food producing machine that has rolled out year after year the great abundance of food -- an abundance always there and waiting for the consumer. Producers have been able to build good storage and holding facilities through their cooperatives and move the food into the market as it can be absorbed. This stabilizes the supply over longer periods of time.

Cooperatives developed the system of classified pricing used successfully in Federal milk marketing orders for several years. About five out of six farmers under the Federal orders belong to cooperatives. Thus cooperatives have helped promote and maintain orderly milk marketing -- giving us good milk in abundance.

(more)

Other marketing agreements and orders -- administered by USDA -- are often initiated by cooperatives, and their development and success in fruits, vegetables, and a few other products depend to a large extent on this leadership by cooperatives. The Government administers programs so the agreements and orders are applied uniformly and equitably and thus in the public interest.

These orders bring market stability and known quality, shift low quality to by-product use, and provide a stable supply of products.

A number of successful producer groups have learned the appeal of a good package to the consumer -- both from the design standpoint and from the protection it offers. Sunsweet Growers, San Jose, California, with its foil pack for prunes, is one example.

Cooperatives are increasingly recognizing the need to process food in forms convenient for ready use. Some of them make potato chips and frozen french fries, as one example.

### III. Offering New Products and Processes

Many of the new products appearing on our grocers' shelves bear the cooperative signature -- another reflection of cooperatives' wish to whet the consumer's appetite with their products.

(more)



Tree Top, Inc., of Cashmere, Washington, was the first company to produce, on a commercial scale, a frozen apple juice concentrate USDA research had developed. The cooperative now has on the market an exciting new product that tastes like fresh crisp apples.

National Grape Cooperative Association, Westfield, New York, has developed many new products since producers became owners of the Welch brand. Latest is a new apple-grape drink it is test marketing. Incidentally, this is one company that disproved a generalization sometimes made about cooperatives -- that producers would not continue to finance an active research program for new products and an aggressive merchandising and selling campaign. Actually, the growers have intensified both and have shown sales climbs for their products.

Ocean Spray Cranberries, East Hanson, Massachusetts, is another cooperative that has built a good market for its products by merchandising for the consumer needs -- and developing new products for their tastes.

Sun-Maid Raisin Growers of California, Fresno -- with its 3,000 grower members -- was responsible for much of the early work in developing machinery for cleaning and destemming raisins as they come from the growers' trays.

Golden Delicious apples popularity came in large part because a northwest cooperative, Skookum Growers, Wenatchee, Washington, worked to breed better varieties,

(more)

and find better handling and holding procedures for this delicate apple. It then proceeded to merchandise the apple vigorously.

#### IV. Holding Down Production and Marketing Costs

Marketing efficiencies and lowered production costs on the farm -- both brought about in many areas by cooperatives -- mean benefits to consumers. For certainly without these our food bills would run higher -- unless the producer and other handlers absorb higher costs resulting from inefficiencies in marketing and higher farm production costs.

Right here I'd like to point to the contributions of the Farm Credit System in holding down the cost of credit to producers as a most important contribution -- both to the producers and consumers. Without credit at a rate and of a type geared to farming needs, today's agriculture would not have made the great leap into abundance that it has.

Likewise, the rural electric cooperatives have been immensely useful in bringing the needed power for a great deal of today's farm equipment at a cost rural areas could afford. Imagine the costs of hand labor and the lowered production without electricity on the farm.

Farm supply cooperatives have also made great contributions in this area of holding down costs.

(more)

To cite two examples: One large supply cooperative has saved over \$160 million for its farmer members in four decades. Members of a citrus cooperative say they cut their fertilizer costs a third by owning their own fertilizer plant.

Cooperatives are also now intensively working at direct line distribution -- another way of reducing costs of labor and facilities, and quickening the pace of movement from factory to farm.

By eliminating transfer of ownership at some of the stages in marketing, cooperatives also hold down some of these costs. And many of them can also report excellent results in holding down marketing and processing costs all along the line...with subsequent good results for the consumer.

#### V. Improving General Welfare

This rather broad term, improving general welfare, encompasses such points as these:

1. An estimate by Farmer Cooperative Service shows net savings of cooperatives providing marketing, supply, credit, electric, and insurance services accounting for about 20 percent of the net income realized by member-patrons -- which is added money for these members to spend.

2. Cooperatives are good customers of many other businesses -- consumers of other consumer goods and

(more)

services, in other words. As one example, a USDA study showed about 600 cooperatives spent \$25 million in advertising in a recent year. The rural electric cooperative system has opened up a \$15 billion market for appliances since its beginning. Cooperatives buy land, buildings, machinery, packaging supplies, trucks, gasoline, farm supply needs, and other similar items. They pay for transportation, phones, lights, and water.

3. Cooperatives have substantial payrolls -- with these employees buying consumer goods. Marketing, supply, credit, and electric cooperatives have about 200,000 employees on their payrolls now -- and it is estimated this may mean as much as \$1 billion a year they pay out in wages.

4. And cooperatives increase the economic literacy of rural people as well as their general knowledge and leadership qualities.

All of these add up to benefits to the country at large on the basis of a better all-round citizenry.

#### Values In New Marketing World

These then are five cooperative contributions to consumers that are clearly visible -- providing quality products, giving service to consumers, offering new products and processes, holding down production and marketing costs, and improving general welfare.

(more)



There are others, submerged or hidden at first glance, that can become even more important in the days ahead. Even when brought out for attention, however, these often provoke differing opinions as to their value to consumers.

Before I pinpoint these more or less hidden values, let's reconstruct this new marketing world in which we live.

Many of us remember the days when farmers peddled their farm-fresh produce -- that the family didn't eat -- from door to door in town, or sold it to the local storekeeper who again sold it in the town.

More of us remember the days when farmers raised their own production supplies -- the feed, seed, and the horse or mule power to raise their crops.

Some of us look back on this nostalgically as a vintage time.

Certainly those were the days of farm self sufficiency. But we have moved far from that, as all of us know. The farmer must now buy and sell thousands of dollars worth of products and supplies each year. Since they find problems in going it alone, most farmers turn to cooperatives for help in getting marketing, supplies, or other services they need.

The point I'm leading up to here is one that J. K. Stern, President of the American Institute of Cooperation, has been reiterating -- that through cooperatives farmers are simply taking back some of the jobs they had turned over to others.

(more)

To retake these functions, producers are finding it increasingly necessary to combine their volumes and resources in many areas in the face of the almost totally new complex of supply, processing, and distribution industries.

Instead of half a million small retail stores we now have, in some respects at least, a basically different retailing and wholesaling food system. A comparatively few buyers call for uniform products oriented to consumer demand and mass handling and geared to specified delivery terms. No longer do we depend exclusively upon price or a series of open assembly markets to make the system work.

Some 3 million producers thus find themselves buying and selling in a small marketing universe composed of only a few handlers demanding large volumes. The new system also often telescopes various stages of marketing and in some cases bypasses older market channels through arrangements such as integration or close coordination.

So the problem for all of us -- producer, consumer, and government official -- is how to couple a highly organized and demanding mass distribution system, designed to meet the needs of customers with money to spend and tastes that demand the best, with a farm production system often scattered, unorganized, and independent.

This new system with all its efficiencies has sounded warning bells to many people, has opened up questions as to the future course of the whole of agriculture.

(more)

For this reason we now have a National Commission on Food Marketing studying the changes in our food economy, and seeking solutions that will continue benefits of the new marketing system while retaining our system of family farming and other values inherent in the older system.

Some consumers may not see the necessity for such a study, looking only at their personal short-run gains. But if agriculture itself moves into the direct or indirect control of only a few hands, consumers may find themselves suffering also in the long run. For if competition falters, prices often rise. Thus consumers could find themselves on the short end of the stick if our family-farm type of agriculture disappears.

This leads me then to this fact -- that cooperatives are certainly one of our brightest hopes to help farmers join together to gather enough strength to compete under the new system and at the same time keep their age-old right to till their own soil.

To be ready for the changing business tides, cooperatives themselves are of course changing and will need to change even more.

Our focal points for discussion here today will be --  
What will these foreseeable changes mean to the consumer?

I posed several questions to people knowledgeable in cooperatives and economics to get their ideas along this line -- and to get their opinions on new values of cooperatives in the new

(more)

environments. If different opinions make a horse race, we have a photo finish with some of these questions.

I'm going to now briefly open up these questions and discussions on them -- for exploratory purposes only. I hope we will go into them more in depth in the discussion period.

1. Among the impelling needs for farmers and their cooperatives in these times is increased bargaining power. So the first question was -- Will increased bargaining power for farmers mean higher prices to consumers?

Several people pointed out that increased bargaining power means more than bargaining for higher prices, that it means more orderly marketing and market stability, both of these with ultimate benefits to consumers as well as farmers.

Another comment was that the cost of farm products is often only a small part of the total cost of an item to the consumer; hence any rise to the farmer would have a relatively small effect on the consumer price. And that if prices get too high on one food item, customers have such a wide range of choices that they can turn to another food, thus bringing the price back down.

Several made the point that increased bargaining power of farmers would interject a countervailing force, a sort of watchdog on any excessive margins being taken by other handlers of food products.

(more)



Some suggested that increased efficiency resulting from strengthening cooperative operations could give the farmer added income without increasing consumer costs.

One or two felt that such increased bargaining power could increase prices to consumers.

2. The second point up for discussion was on the effect upon consumers of merger and integration by cooperatives.

In summary, most of those questioned felt the consumer stands to gain whenever cooperatives merge or integrate successfully because this can bring more efficiency in production and in processing and marketing and better food and fiber to the consumer.

So long as the market remains truly competitive, one person pointed out, the reduced operating costs will in some degree be passed on to the consumer as well as retained in part by the farmer.

In addition, by transferring the ownership of the product fewer times or at fewer stages of handling, costs can be reduced.

In my opinion, some mergers can result in savings by eliminating duplicated efforts and overlapping facilities and still not affect competition adversely. It is a question of fact. If competition is strengthened, efficiencies would also be of benefit to consumers as well as farmers. I recall examples of

(more)

how merger of dairy cooperatives in Wisconsin saved a quarter of million dollars the first year, and a Texas-Oklahoma cooperative consolidation resulted in half a million dollar savings annually.

A study a few years back in Wisconsin showed that recommended mergers there could increase farmer income by 25 to 30 percent without a cent of increase to the consumer.

One person commented that the combined cooperative resulting from merger could provide more effective competition to other firms as another benefit to consumers.

I'd like to add here that one of the major challenges to cooperatives as I see it is to really integrate procurement at the farm level and to coordinate this function with farm production and merchandising.

Certainly other types of business have long been using integration and merger for greater efficiencies. Many of our largest firms produce their own raw materials, process or manufacture this raw product, and then merchandise directly to the consumer. Yet, the farmer and his cooperative are often subject to criticism when they attempt the same thing in the agricultural business. And, in fact, they must not ever be given status adverse to the general interest, nor do they need such status in order to cooperate.

(more)

3. Responses to a third question indicated co-operatives can help adjust supply to demand in varying degrees and with only certain products.

Use of contracts allows cooperatives to establish some volume control of products they take from members, and thus affect what they produce. However, beef, cattle, dairy, grain and other farm products cover such wide areas of the country that no one cooperative can greatly influence supply.

It was suggested that cooperatives do have a direct pipeline to their members through fieldmen, meetings, and publications, and can influence production decisions through educational programs.

I remember instances where cooperatives have helped growers move out of a crop in burdensome supply at low prices. They do this in several ways -- by providing markets for a new crop, by extending credit to growers so they can make the shift in their farm enterprise, and by general educational work.

One large cooperative that still bears cotton in its name in reality no longer handles cotton as its major item. Rather it handles a wide variety of products and supplies as a result of a determined and successful effort to educate its members away from their former dependency on one crop, cotton.

(more)

4. Another question raised was what the effect on consumers would be when cooperatives inject greater competition into the market.

Those who thought cooperatives helped consumers suggested that larger volume operations, both in marketing and purchasing, brought lower per unit handling costs; that one cooperative's competition helped upgrade services and lower costs to all farmers within its area, not just to its members; and that the cooperative philosophy of operating at as low a cost as possible was also of value to consumers. In addition, when co-operatives enter an industry where there have been excess profits, they tend to improve the competitiveness of the industry, and this in turn also benefits the consumer.

Other points to consider here would be whether the size of many of the cooperatives is sufficient to bring effective competition with some of our big national businesses, and whether any gains resulting from such competition would be passed on to the consumer or retained by members.

We often hear that consumers and producers stand at opposite ends of the marketing pole and that both resist pressure from the other so one can sell as high as possible and the other can buy as low as possible.

(more)



We must, of course, accept the fact that there will always be some degree of healthy conflict of interest between the two groups in the short run, but their long-run interests are not hostile.

How then do we best coordinate these interests?

Consensus here was that the wise farmer or co-operative doesn't put too high a price on a product or no one will buy; and the wise consumer considers quality along with price. It was suggested that greater effort needed to be made to alert the consumer to the fact that most of the increases in food prices in recent years have not been the result of rising costs of farm products.

5. The last question was -- what can we all do to get greater understanding of the role of cooperatives and their effective contributions to consumers as well as to rural areas?

Suggestions included strong public relations programs, more widespread recognition of cooperative brands, effective educational programs in schools and with consumer groups.

For those of us here in the Department of Agriculture, one suggestion was that we conduct more research studies to pinpoint consumer benefits, that we issue consumer bulletins that in some cases show cooperative contributions; that Extension specialists working with consumer groups

(more)

be given background material to tell the story, and that we all hit this point harder in our talks and writings.

Cooperatives have come a long way. You have heard and seen much of their progress during the past two weeks.

But the pathway to the future has many pitfalls, many barriers to pass, and the ways for cooperatives to take are many.

In closing, then, I'd like to pose these final questions:

Are cooperatives reacting quickly enough, moving fast enough to be responsive to consumer needs?

Do they have adequate capital or credit to do the job consumers demand?

I raise these questions not with a sense of negativism. Rather I raise them to be realistic and to stimulate ideas for solutions.

Cooperatives have a long history of surmounting odds, of tapping new fields, of achieving high goals, of striving for greater things. Can they build from this strong past for a yet more promising future? -- I think they can.

This is a wide country and there is bright opportunity for many kinds of business. There is bright opportunity for them all and there is a role for good cooperatives to play in the interest of us all.

-----

U. S. DEPT. OF AGRICULTURE  
NATIONAL AGRICULTURAL LIBRARY

OCT 27 1964

C&R-AS4

973

A 280,39  
M472  
Oct. 9, 1964

THE BROADENING ROLE OF AGRICULTURE IN OUR SOCIETY

I am delighted to have the opportunity to take part in this annual Texas Agricultural Experiment Station Conference. When I consider the scope of the subject Dean Patterson suggested for me, however, I am assailed by a multitude of doubts.

My problem is akin to that presented one day to an elevator operator in the Pentagon. Just as the elevator door was about to close, a major general came briskly down the corridor. The operator waited for him. The general stepped into the cage. "Tenth floor," he barked.

"But sir," the operator protested, "this building has only eight floors."

"Well," the general smiled, "do the best you can! Do the best you can!"

That will have to be my aim today. You've given me a 10 story subject. I'll do the best I can.

Contrary to my title -- THE BROADENING ROLE OF AGRICULTURE IN OUR SOCIETY -- there are many who seem to think agriculture has a declining role. They view agriculture as a declining industry.

---

Address by Assistant Secretary of Agriculture George L. Mehren before Texas Agricultural Experiment Station Conference, College Station, Texas, October 9, 1964, 9:00 a.m. (CST).

---

They point to the dwindling farm population -- only 7 percent of our people now live on farms, compared with 15 percent in 1950, and about 25 percent just before World War II.

They remind us that in actual numbers there are now 10 million fewer persons on farms than there were in 1950 -- and less than half as many as in 1940.

They cite the decrease in the number of farms -- over 5.6 million in 1950 and only about 3.5 million today.

They look at the income figures. Farm income in 1963 was only 3.7 percent of total U.S. national income. This compares with 7.2 percent in 1950 and around 10 percent just after World War II.

We admit that these are facts.

But instead of being indicative of a declining industry and a declining role in society, these facts actually signify that agriculture has a growing role and a growing importance not only in America but in world society.

The smaller farm population, the reduction in number of farms, even the declining proportion of the national income produced by agriculture -- all bespeak an agricultural success story of fantastic proportions.

They bespeak the American Agricultural Revolution, one of the most significant events of modern times.

(more)



It is this revolution which makes it possible for the U.S. farmer today to produce as much in one hour as he did in two and a half hours some 15 years ago -- and as much as he did in four hours 25 years ago. In all previous history such an increase was unheard of. It far surpasses the productivity advance of industry during the same period.

The result is that one person in U.S. agriculture today supplies abundantly the food and fiber needs of 31 persons including himself -- compared with only 15 persons 15 years ago. Going farther back we find that in 1930 one farm worker supplied the needs of 10 persons -- in 1910, only 7 persons.

Incidentally, in Russia today, one farm worker produces enough for about 6 or 7 persons -- on what we would consider a scarcity basis.

The progress of our agriculture has been so magnificent -- especially in the past 25 years -- that tens of millions of persons in the labor force have been released from the necessity of producing food. They have become available for the production of cars and planes, radios and televisions, air conditioners and heating systems, new houses, schools, office buildings, and factories. Millions of others have been enabled to follow the professions or to go into service industries. Agriculture's progress, in short, has provided the basic foundation upon which we have built the world's highest standard of living.

(more)

It is the foundation upon which we can -- and will -- build the Great Society which President Johnson has described as "a place where the meaning of man's life matches the marvels of man's labor."

The function of agriculture in the economy is to provide quality products -- especially food -- abundantly, efficiently, effectively, and at reasonable cost.

I doubt that you can find anywhere in America today a better bargain than food.

We are better fed -- at lower real cost -- than ever before, here or anywhere else in the world.

We have available the cleanest, most wholesome, most varied and abundant food supply of all time. On the average, we spend less than 19 percent of our income after taxes for food. People in England and France spend about 30 percent -- in Russia 50 percent or more.

Everybody knows the cost of living has risen substantially since World War II. Between 1947-49 and 1963, the price of non-food items in the U.S. cost of living index jumped 36 percent. But retail prices of food, excluding seafood and imports, which are not U.S. farm-produced, rose only 15 percent.

What does this mean? Simply that if food prices had kept pace with nonfood prices the bag of groceries we now buy for \$20 would cost us \$24.

(more)

But this tells only part of the story. While consumers are paying 15 percent more for food, farmers are actually getting 15 percent less.

If it were not for a sharp rise in the cost of marketing food -- after it leaves the farm -- we would be paying less for our food than we did 15 years ago.

Back in 1947-49 it cost a typical family in the city \$940 a year for food. The farmer's share was \$466 -- or one-half.

Last year the typical family spent \$1,078 for a comparable food supply. But the farmers got only \$394 -- a little over one-third. While the retail cost of the typical market basket of food was \$138 more than 15 years earlier, the return to farmers for producing that food was \$72 less.

In many ways this is unfair and it is also unnecessary. We can have fair farm income in this country and keep food a bargain at the same time.

But it shows -- dramatically I think -- the growing contribution of agriculture to American society.

Not the least important phase of low-cost food is its anti-inflation aspect. In Europe today inflation looms as a dangerous threat to the continued growth of prosperity -- and one of the prime factors feeding this threat is the relatively high cost of food. Abundant food supplies, efficiently produced, have contributed mightily to U.S. price stability during the present

(more)

period of prosperity -- the longest and biggest peacetime expansion in our history.

But, you may ask, if agriculture is truly a growing force in the economy, why is it that the farm share of the national income is now so low?

There are two parts to the answer. First, farm income should be higher. Farmers in a real sense are subsidizing other components of the economy. It is puzzling that the farmer should get 15 percent less for a given quantity and quality of food than he did 15 years ago. And it is both puzzling -- and distressing -- that the per capita income of farm people -- from all sources, farm and nonfarm -- should be only about three-fifths that of non-farm people.

But aside from this disparity, it is inevitable that total farm income should become a smaller slice of the total national income pie in a sharply and rapidly expanding economy. Today's economic system provides an immensely larger variety of goods and services than was available a generation, or even a decade ago.

We might illustrate this by comparing the growth of our economy with that of a department store. As the store develops dozens of new departments, the proportionate share of total income derived from each of the old departments declines -- even though each may be doing a larger volume of business than before.

(more)



This is precisely what is happening as regards agriculture. Our agriculture is producing more than ever before. Its total gross income and gross income per farm are bigger than ever before. And agriculture today is a bigger than ever customer for the products of the American economy.

Last year, for example, the nation's farmers had total gross farm income of \$42.2 billion. That's four times as much as 25 years ago.

Their production expenses -- for machinery, fertilizer, fuel, labor, and other operating costs -- exceeded \$29 billion, roughly five times as much as 25 years ago.

The total personal income of our farm population -- after taxes -- was \$18.4 billion. That's two and a half times as much as 25 years ago, even though farm population is less than half what it was then. This means that farm people are a mighty important market for family cars, television sets, home furnishings, appliances, clothing, cosmetics, pharmaceuticals and the whole range of consumer goods.

And I can cite other facts and figures.

About 100 billion dollars of the American consumer's annual expenditure goes for food and clothing produced by or made from the products of agriculture.

About 75 percent of all basic raw materials are of agricultural origin.

(more)

More personal income originates in agriculture than in any other industry except wholesale and retail trade and contract construction.

More people are employed in agriculture than in any other single industry except retail trade.

Capital investment in agriculture now exceeds \$216 billion.

I could go on almost indefinitely citing statistics like these to emphasize the importance of agriculture in the American economy -- both as an essential prime producer and as an important consumer of everything from lipstick to motor-trucks.

I think I could prove to you that agriculture's contribution to the economy today is of greater moment than ever before. In a literal sense, agriculture is everybody's business -- its problems are everybody's problems -- its strength is the nation's strength.

Instead of going on in that vein, however, I want to talk briefly about two comparatively new and different types of contributions our agriculture is now making for the benefit of American and world society.

One of these is the revitalization of Rural America.

One part of the United States, as we all know, is characterized by two-car families, split level houses, and super supermarkets. This is affluent America.

(more)

Another part, hidden by a veneer of opulence and long overlooked in the hurried pace of 20th century living is characterized by low income, inferior education, and limited opportunities. This is impoverished America.

Poverty is particularly prevalent in rural America. The percentage of rural families with incomes below the income poverty line is almost twice as large as that of urban families. In 1959, one third (33.5 percent) of all rural families had less than \$3,000 net income, compared with one in six (16.4 percent) in urban areas.

An attack on rural poverty, consequently, is one of our rural development objectives.

The total objective, however, is far broader. Much of rural America lies between the extremes of affluence and poverty. Here we find not only clusters of farm families but whole villages, towns, and small cities which, while not impoverished, have been relatively bypassed by the economic growth of the past quarter century. In these areas, townspeople and farmers have, for some time, been seeking coordinated ways to strengthen their flagging economies.

Today, people in more than 2,000 counties have organized Rural Areas Development committees to come to grips with problems of economic stagnation. Leading citizens -- representing agriculture, business, finance, labor, schools, churches, local government, and other interested groups -- are surveying their area's

(more)

assets and problems and organizing "bootstrap" operations to make best use of their resources. More than 16,000 community development projects are under way.

In some regions several counties have combined to form development councils to harness talents in a united effort. They have long-range plans to develop recreation facilities, bring in new industry, sponsor more feeder pig and calf sales, create a conservation district, and develop historic and scenic areas.

Agriculture is vitally interested in rural development. Farm people are in the forefront in these projects. They are employing imagination in discovering new uses for their resources.

Thousands of farmers have found that they can increase their income, improve their communities and provide a much needed service for city people by "farming" recreation. In the past two years about 18,000 landowners have established one or more recreation enterprises. These include farm vacation camps where families can come to enjoy life in the country. There's plenty to do -- softball, archery, horseback riding, hay rides, and the youngsters can take part in the farm chores, feed the livestock or ride the tractor.

Other recreation enterprises consist of facilities for hunting, camping, riding, boating, fishing, swimming, hiking, golfing, even skiing.

(more)



Rural development activities are going on throughout the nation. They will grow; they will expand; they will exert an ever-widening circle of influence. They are part of agriculture's new and growing contribution to society.

The second "new" contribution of our agriculture is its widening influence as a force for peace and world economic development.

Exports of U.S. agricultural products in the fiscal year that ended last June 30 smashed all previous records by climbing to an all-time high of 6 billion, 115 million dollars.

To understand the significance of that figure, we must see it in context. It represents an increase of 20 percent over the year before. It represents a level of exports one-fifth above any previous fiscal year -- 35 percent above the level of four years ago -- and more than double the export level of a decade ago.

In U.S. agriculture today one out of every four acres of the nation's cropland is producing for export. We export up to 75 percent of our wheat production -- over half of our rice -- two-fifths of our soybeans -- one-fourth of our cotton, tobacco, and off-farm sales of feed grains, and large quantities of fruits, vegetables, lard, tallow, nonfat dried milk, and other products.

In U.S. industry thousands of processing plants are preparing farm products for export -- thousands of trucks and railroad cars are moving these products to ports and docks -- and hundreds of cargo ships are transporting them across the seven seas to countries all around the world. Our agricultural exports represent an economic chain reaction that begins with more income

(more)

on the farm and produces jobs and paychecks for thousands and thousands of people throughout the whole nation.

As a nation we have vital interests in agricultural export trade. Though farm income makes up less than 4 percent of our national income, farm exports add up to 27 percent of total U.S. exports.

We need the profits and wages that come from foreign as well as domestic sales. We need these exports to ease supply pressures on U.S. farm prices. We need to sell a big volume of our farm products for cash in foreign markets to offset the heavy outflow of dollars and gold.

We send our agricultural exports all over the world -- to more than 125 countries and territories. In the advanced industrial nations, such as the Common Market countries, we compete for markets. We sell the Common Market countries a lot of agricultural products and we buy from them a lot of industrial products -- cars, cameras, fine laces and linens, optical equipment, diamonds, and so on. This raises the standard of living on both sides of the Atlantic, on our side and on theirs.

In the less developed countries our agricultural exports serve two other essential purposes. They provide food for those who desperately need it -- thus helping to preserve their freedom -- and they help these emerging nations stimulate and beef-up their economies, thus creating potential future customers for our farm and industrial products.

(more)

In short, American farm exports help to feed, clothe, and provide employment for more millions of the world's people than ever before -- and don't think that this factor doesn't speak out loud and clear in favor of American progress, of American agriculture, and of our sincere desire to help the underprivileged people of the world to a better life.

The importance of our agriculture in world history has grown tremendously during this century. American food made a big difference in World War I. American food probably saved England in World War II. American food played an enormous role in world rehabilitation after World War II. American food and agricultural technical help are paving the road to economic growth in dozens of emerging countries today.

But I am absolutely convinced that American food and fiber and technical help will play an even larger role in the future.

It is when we look ahead to the coming decades -- 10, 20, 40 years hence -- that we begin to glimpse the true importance of U.S. agricultural exports in the total world picture.

Several months ago the Department published a report entitled MAN, LAND, AND FOOD which examines world food needs through the remainder of the 20th century. One of the fundamental implications of this report is that North America -- and that means particularly the United States -- will play an even more important role in helping to feed the world tomorrow than it does today.

(more)

World population, it is now estimated, has reached roughly 3 billion persons. By the year 2000, if present trends continue, world population will exceed 6 billion. To meet the needs of this more than doubled population, even at modest levels, world agriculture will have to more than double its current production. Food output will have to expand faster than ever before. But in addition, the efficiency and effectiveness with which the world's food supply is distributed will need to be greatly sharpened. This is because population is growing most rapidly in the less developed regions, while the potential for producing food and fiber is growing faster in the developed regions.

North America is already the grain basket, the bread-basket, of the world. This continent is the principal exporter not only of wheat but of all other grains as well, except for rice. No other region has ever so completely dominated world grain exports in modern times.

Where North America had net exports of 5 million tons of grain in 1934-38 -- and 39 million tons in 1960-61, present trends indicate that exports will reach 58 million tons by 1980 and 94 million by the end of the century.

The plain fact is that the world's agricultural production potential is heavily concentrated in North America. We have available on this continent the land and capital as well as the agricultural technology and economic system to make vast increases in the production of food and fiber. No other region of



the world possesses all of these requirements in the abundance with which they are found here. This is destined to become increasingly important.

Poverty, hunger, and disease are as old as man himself. But we all know that a new idea is sweeping the world today -- a bright new hope -- and a vision of a better life.

We know that people everywhere want for themselves the same things that you and I want and that most of us already have -- food for strength and vigor -- medicine and medical care to restore the sick to health -- preventive measures to wipe out disease -- jobs that will give them not only survival but dignity -- education for their children to prepare them for a useful future -- in short, a decent life measured by Twentieth Century standards.

We have a very real stake in helping the world's people achieve this decent life. We have a moral responsibility -- but in addition we have a social and an economic self-interest.

We can mark this down as an axiom: Economic growth is the key to a nation's ability to trade. Only through economic growth can the less developed countries become better customers. Only through growth can they become more effective members of the world community.

Last spring, President Johnson, speaking to a group of editors and broadcasters in the White House Rose Garden referred to the problem of the developing world in words which should be engraved on all our hearts. He spoke of the hundreds of millions of people in dozens of countries who struggle to exist on incomes of little more than a dollar a week. He pointed out that we in the United States are outnumbered on this earth in a ratio of 17 to 1.

(more)

And then he said, "If we sit here just enjoying our material resources, if we are content to become fat and flabby at 50, and let the rest of the world go by, the time will not be far away when we will be hearing a knock on our door in the middle of the night, and we will be hearing voices clamoring for freedom, independence, food, and shelter, just as our revolutionary forefathers clamored for it."

We are not going to let that happen. In the last one-third of this century, I firmly believe our agricultural exports will promote U.S. foreign policy by bolstering the peace and security of the Free World in a manner completely without precedent in all the previous history of the world.

The success of the U.S. farmer can be one of our most effective tools in making democracy and freedom, rather than collectivism, the revolutionary force in a world of rising expectations.

I believe the economic development of the world in the next decade or two will be utterly astounding, and that it will produce progress hitherto undreamed of.

I believe that here in the United States we will continue our quest for the Great Society -- and that we will achieve it.

I believe that in the world of tomorrow and in our own Great Society our agriculture will continue, as in the past, to play an ever broadening role.

U. S. DEPT. OF AGRICULTURE  
NATIONAL AGRICULTURAL LIBRARY

OCT 27 1964

C & R-ASH

97 file

A280.39

M472

Sept. 24, 1964

Cap. 2

THE ROLE OF GOVERNMENT -- YESTERDAY, TODAY, AND TOMORROW

Let me begin my remarks with a little story. It is not a funny story, but it may have some interest for marketing men.

"The City of New York ....," so this story goes, "had long been supplied with firewood from Connecticut, and with butter and cheese, chickens, and garden vegetables from the thrifty farms of New Jersey. This trade, it was observed, carried thousands of dollars out of the city and into the pockets of the detested Yankees and the despised Jerseymen. 'It was ruinous to domestic industry.' said the men of New York. 'It must be stopped ... by a navigation act and protective tarriff.' Acts were accordingly passed, obliging every Yankee sloop which came down through Hell Gate and every Jersey market boat which was rowed across the Paulus Hook to Cortlandt Street to pay entrance fees and obtain clearances at the custom house..."

This story is not fiction. It is an account by John Fiske describing existing commercial conditions in this country prior to the framing of our Constitution and our Federal Government in 1787. Fiske goes on to describe how Connecticut and New Jersey retaliated against their hated neighbor.

---

Address by Assistant Secretary of Agriculture George L. Mehren at the Annual Meeting of the National Association of Marketing Officials, at the El Rancho Hotel, Sacramento, California, September 24, 1964, 7:30 p.m. (PDT).

---



These were among the conditions prevailing in this country in the critical period following the Revolution -- conditions that led to a strong desire for a national government able to cope with national problems -- and to the Constitutional Convention in Philadelphia and the unique form of government, new on the stage of world history, that was formed there.

We often forget, I think, that we had then and still have now a unique form of government -- founded on compromise between the older idea of a government in which all powers are held by a single central organ, as in some present-day governments, and the loose confederation of States that we tried to make work for a few brief years under the Articles of Confederation.

While our Nation was born in revolt against tyranny, our Constitution and our form of government were born of the practical necessity to regulate commerce between States and to bring order out of the chaos of the times but with the overriding aim of providing a workable government that could not impair the freedoms of our people.

The form of government devised by our ingenious Founding Fathers -- a union in which the powers of general national concern are basically vested in the National Government, while authority over local matters is held by the States -- has provided us with a stability and a flexibility rare among the nations of this world. For the first time in history, specific powers were delegated --



and others denied -- to state and federal governments. Personal rights were specified and residual power was vested in the people. Checks and balances were carefully built into the relationships of the federal and state governments and among their branches. One purpose was to assure that no government or part thereof, no group or agency or person, should have unlimited power. Another purpose was to provide a set of mechanisms adequate to preserve the values of this nation and yet do the work that government must do. There is still no other government like ours -- none in which people are the source of power, and none in which government depends so much on the acquiescence and the self-discipline of individuals. We are, as we were in the beginning, a government of law, in which due process has enduring meaning.

We have had stability -- together with freedom, productivity growth, and prosperity -- because we have had flexibility. Our goals, our ideals, our objectives remain unchanged. But we have embraced no enduring dogma -- other than the original values of freedom within law -- no rigid ideology that would hamper us in adapting to new ideas and changing conditions. Given our national goals, we are, and always have been, a nation of pragmatists. Our test is: What works best in any time of our history to serve our basic values?

This was Jefferson's meaning when he said that one generation could not commit the next to its view of public policy or human destiny.

Abraham Lincoln laid out this same view most succinctly in his second inaugural address, when he said: "The dogmas of the quiet past are inadequate to the stormy present. The occasion is piled high with difficulty and we must rise to the occasion. As our case is new -- so we must think anew and act anew."

Almost a hundred years later, John F. Kennedy echoed that view again in his inaugural address, when, after pointing out that the "same revolutionary beliefs for which our forebears fought are still at issue around the globe," he said, "So let us begin anew ..."

These, as President Johnson implied with his challenge "Let us continue," are the principles and the conditions that determine what is and what should be the role of government in our country.

They have withstood the test of time for nearly 200 years. But the context in which they operate is vastly changed -- and so are the services demanded of and provided by government -- Federal, State, and local. Much of the change has come about because of the growth of the Nation and its technology, the increasingly national character of the economy, and the increasing interdependence of the States and the national government, of business, labor, individuals -- and in fact the world at large.

We have -- as was the intent of the Founding Fathers -- developed an adequate and viable national government. This has not lessened freedom and independence in this country -- it has

strengthened it. Moves toward totalitarian societies, as we have seen in other countries, never result from strong democratic governments -- they result from weakness and incapacity of government. President Johnson made this point just recently when he said that "The truth is, far from crushing the individual, government at its best liberates him from the enslaving forces of his environment."

Freedom for dissent, the rights of minorities, are protected in this country by our form of government, which is designed to countenance and even to generate contention and abrasion -- but also to provide the means for resolving differences in an orderly way and within the framework of law. It is when these rights are threatened -- when any person or group believes it has the single truth, when deviation from the dogma of any person or group is held to be subversive and therefore to be punished or suppressed -- this is when freedom is really in peril.

We have scope for diversity, for pluralism, in all phases of our life, constrained by the rules of law and by voluntary acceptance of the process of the law by individual Americans who understand our system. We operate on the basis of due process, not by the whim or caprice of officials. Our government is truly of, by, and for the people. These are operating facts of our government -- not abstractions or platitudes.

Those of us who work in government have the responsibility not only to realize these facts ourselves, but also to help others

to realize them -- to generate better understanding within the Federal, State, and local governments and among the American people of the role of government, Federal, State, and local. We must realize also -- and help others to realize -- what changes have occurred in our economy and in our society -- what new needs have arisen -- and what our government, Federal, State, and local, is doing and should do to meet those needs in the context of today -- not in the frame of some nostalgic distortion of what things might -- or might not -- have been decades ago.

This is just as important -- perhaps more so -- for State governments as it is for the Federal Government. For the fact is, though it may not be widely recognized, that State and local governments are being called on today for a broader role and for more services than ever before. They are, properly and by necessity, increasing their expenditures and the number of their employees at a much more rapid rate than is the Federal Government. Again, with respect to the duties and powers assigned them by the Constitution, the States have responsibilities as well as powers, and, basically, the local responsibilities of today's century are those which must and should expand.

For instance since 1947, while our population grew by nearly 34 percent, Federal civilian employment grew by less than 27 percent. It now numbers something less than 2½ million. But in those same years, employment in State and local governments grew by 82 percent -- and their employees now number 7 million.



This is not to be deplored. It was necessary growth, for during those years we experienced not only a surge in population, but also a great increase in the mobility of our people and a massive move to suburbia, with its attendant needs for local services such as schools, police and fire protection, roads, sanitation, and the like -- all fundamentally in the sphere of state sovereignty.

The fact is that historically Americans have spent much more for local government services than for Federal Government services. Federal outlays at the turn of the century were only a bit more than half of those of States and local jurisdictions. The Great Depression and the events that followed brought Federal expenditures up. The very nature of our modern economy and the society of our people means that national collaboration with States has grown increasingly necessary. This, I think will continue. However, barring war or economic disaster, and despite the emergence of modern Federal-State programs like urban renewal, Rural Areas Development, highways, school lunch, Food Stamp, and so on, that traditional relationship is likely to be re-established within 15 years at present growth rates. In 1946, State and local spending amounted to only 18 percent of that disbursed by the Federal Government; today the proportion is more than 70 percent.

Moreover, it has been war and the threat of war that have delayed for this long a return to the historic relationship. This is reflected in our government employment figures -- about half of

the Federal civil service is employed by the Defense Department and the Veterans Administration. Another quarter is employed by the Post Office Department.

The myth that the Federal Government is growing out of all proportion to population growth -- and at the expense of State and local governments -- is pretty well dispelled by those figures, I think.

While we're at it, there's another myth I'd very much like to dispel -- and that is the myth that the Department of Agriculture is growing faster than the number of people it serves. This charge is based on the illusion that the Department of Agriculture serves only farmers. Of course it is true that the number of farmers -- or of people now classified as farmers -- is decreasing and that the number of Department of Agriculture employees has grown over the more than 100 years of its existence.

But the Department's services -- which are so closely integrated with your own -- have always been aimed at serving a broader public than just farmers. Lincoln called it the "people's department" when he signed the legislation creating this Department in 1862 -- it is that today more than ever before.

Like the country it serves, the Department of Agriculture has indeed grown and changed. The range of its responsibilities, research, services, and regulatory functions today reflects both the importance and the sophistication of our farm and food

production and marketing system -- in fact of our whole national economy in which these functions play a role of some magnitude.

A recent report of the House Agriculture Committee "Food Costs -- Farm Prices," which I commend to your attention for a good understanding on this subject, shows that two-thirds of USDA expenditures currently go for programs which are of primary benefit to consumers, businessmen, and the general public.

These are programs ranging from the services to marketings, with which you are intimately concerned, and the food distribution programs which touch the lives of one out of every six Americans, to the broad programs of research, education, and extension which have had so much to do with better living for all of us.

But even the conservation, stabilization, credit, insurance, and other "farm programs" are of significant benefit to the general public which, because of them is assured of plentiful, high quality, and reasonably priced food and fiber. Without them, the American economy could not have become what it is today.

These programs do far more than support farm income. They reflect the basic commitment of our Government to contribute directly to the growth and stability of the American economy -- without impairing private initiative and individual freedom.

They provide means of adjusting to change -- a miraculous but often harsh pattern of change which has led to immensely increased productivity on our farms and to over-production of a relatively few farm products and to a consequent heavy pressure of  
(more)

adjustment on the producers of these commodities. The magnitude of this problem is often overstated -- the reasons for it are often misstated -- and the alternatives open to us are often grossly misstated. It has been estimated that to drop stabilization programs entirely would cause an immediate 40 percent drop in farm income. This would react throughout our economy -- no responsible government could countenance such a move.

The fact of the matter is that our country today stands at a peak of economic strength. Our gross national product runs at better than \$600 billion a year. We lead the world in total production of goods and services and in output per person. Nearly 72½ million of our people are at work. Average family income is more than \$7,000 a year -- by far the most equalitarian distribution of wealth the world has ever seen. We are, as President Johnson has pointed out, the "most prosperous, the best housed, the best fed, the most intelligent, the most secure generation ... in all history."

Beyond question, this success story must trace back in large measure to and rests today on the achievements of our agricultural production and marketing system. These achievements in the food industries are even more remarkable than our industrial record. The output of the average agricultural worker, for instance, has increased over the last decade almost three times as much as the average industrial worker; and 50 percent more production per acre than 10 years ago is commonplace. The measure of the incredible achievement of our farmers is the fact that it now takes fewer than

(more)

USDA 3216-64



7 million to produce not only enough food and fiber for all 192 million Americans -- and to feed all of us better and cheaper than ever before -- but also to sell for cash to other countries \$4.2 billion worth of farm products annually, supply our Food for Peace programs and our food reserves -- and still have some left over. This is a "farm problem" that most countries would dearly love to have.

Yet, all of you know that many functions of farm and kitchen have been transferred to an almost totally new complex of supply, processing and distribution industries. So, what used to be called the farming industry is not the same as the food and farming industry of today. There are more than 20 million people who work in industries based directly on our farms. The value of output at retail exceeds \$100 billion yearly. This is the core industry of America.

So it does not seem too much to ask that we continue for a while to struggle with the problem of assisting some farmers through a period of difficult adjustment. Obviously, we have not yet found the perfect, or even a fully acceptable solution to the "problem" if that is the word for it -- of farm abundance. In truth it is in large part a miracle, and in small part, a problem. This is one of those abrasions of technological advance which, while bestowing many benefits on the great majority of our people, leaves some areas and some people, some commodities and some enterprises, disadvantaged through no fault of their own. In our concept of government

responsibility, it is morally right, and economically sound, to help such areas and such people achieve equal opportunity to make a decent living. And, our government is committed by the will of the people to contribute as much as possible to growth and stability and equity within a framework of profit-motivated free enterprise.

Production is only one aspect of the farm and food economy to which government responsibility extends. We in State and national government alike are concerned with the marketing of farm products, and with the revolution in food marketing which has been just as great and just as far-reaching as that in production. It has come about even more quickly. And it too has provided great benefits for the many -- and puzzling problems for some.

These are not the "farm problems" of overproduction and low prices, but they are perhaps even more significant for the general public. This is so because they relate to the free market system that has been called a "vital underpinning" of our democracy.

They are problems with which you are well acquainted, for they bear directly on your work and your responsibilities. They are, briefly, the problems of coupling a highly organized and demanding mass distribution system, designed to meet the needs of our affluent, discriminating consumers, with a farm production system that in some parts is scattered, unorganized, and independent -- in such a way that we may have not only efficiency but also the independence, freedom of choice, and effective competition that have been the distinguishing features of our remarkably successful system of farm production and marketing.

(more)

USDA 3216-64

The changes in food marketing -- its concentration into fewer and fewer procurement channels, its tendency toward integration of previously independent sectors of the system -- either through formal arrangements or informal ones seeming to have essentially the same effect -- have opened questions that go to the heart of our whole economy and even of our way of living.

They are questions that concern all of us -- and most particularly those of us who are charged with the responsibility of providing government services and regulation designed to make our marketing system work better and more efficiently than it otherwise would, and to assure equity to all participants in the process.

This is a responsibility that you, as officials of the State government, share with us in the Federal Government, just as you share in the responsibility to make our whole system of government work, and to make it work in the best interests of all. And every American citizen shares some part of these same duties.

We have had, I think, a highly successful collaboration -- in all areas of government. But now we face together a difficult problem of adjusting to our times and to the times ahead of us -- and of preserving the order of our farm and food production and marketing system without freezing it into patterns that would hamper necessary adjustment. At the same time, we must make sure that freedom of action, of alternate outlets, and individual enterprise are protected.

Our services to marketing on which we have worked together so closely for nearly 50 years -- services such as grading, inspection, market news, and regulatory programs -- have served us well. They have indeed made the marketing system work better than it otherwise would and vastly better than in any other time or country. The kind of marketing system we now enjoy could not, in fact, have been developed without them. But the context in which they were developed, and the system which they were designed to serve, have changed drastically. We must now ask ourselves whether all of them are adequate to do the job still expected of them -- and we must be ready and willing to make changes in these services as the need is seen. We must, as we always have, subject ourselves to the pragmatic test: What works best?

President Johnson and other government officials have become deeply concerned with the pressing problems of the marketing system and as a result we now have a National Commission on Food Marketing. The Commission is charged with exploring and assessing the changes which have swept our food economy -- and also with assessing among other questions the adequacy of government services to that economy. With its help, we may hope to form new public policy on the difficult question of how to take best advantage of the benefits of a new marketing system, while retaining the values inherent in the old.



We have never been afraid of change in this country. We have always met it with confidence and turned it to our advantage. We must continue to do so -- and I am sure that we will.

I am confident also that the role of government -- Federal, State, and local -- will remain, in the future as in the past, that of doing what needs to be done so that each of us can live in decency and dignity, as free men, upholding the best traditions of a free society. We have had 200 years of a kind of government for which many other people are only now groping. The dedication and self-discipline of Americans have made it serve us well. We are a prosperous and powerful nation -- but more important we do live in dignity and freedom becoming to men. It is a good nation and a good form of government. For ourselves and for those who come after us, it is our duty to preserve and protect this union.

-----

U. S. DEPT. OF AGRICULTURE  
NATIONAL AGRICULTURAL LIBRARY

OCT 27 1964

C & R-158

9-file

INDIVIDUALISM IN A CHANGING WORLD

A280.39  
M472  
Sept. 15, 1964  
Cop. 2

I am happy to come here and visit with you this morning. Even though I am a native of California, and Texas and California have been known to have a few rivalries over the years, we have a good bit in common, too.

What I am thinking of is that spirit of individualism and independence that we both, perhaps, have a tendency to brag about. This is indeed a spirit that binds us together. But more than that, it is the same spirit that brought our people to this country from the older lands of Europe, in the first place, and that later sparked our migration westward.

So while we now sometimes proclaim it as the spirit of the "Westerner" -- it is truly an American trait, as a very distinguished Texan reminded us several years ago.

In 1958, when he was majority leader of the Senate, President Johnson wrote an article on his political philosophy for a Texas magazine, and he said, "Texans are independent and individual, but not the monopolists of these virtues that we sometimes suppose ourselves to be. The traits are American in origin and, fortunately for the Republic, are deposited quite widely, not part of certain regional hoards. Thus, I believe it is the

---

Address by Assistant Secretary of Agriculture George L. Mehren at the annual meeting of the Texas Citrus Mutual, at the Civic Center, McAllen, Texas, September 15, 1964, 10 a.m. (CDT)

---

American in me -- even more than the Texan -- that now reacts so strongly against the merging of the individual American into the mass ..."

President Johnson's statement reflects a keen awareness of the seeming plight of the individual today in a society that seems sometimes to have become "mass" in so many different dimensions. But bigness in some institutions, and in numbers of individuals, need not and does not necessarily mean a lack of individual freedom and individual choice within democratically developed law.

We have held firmly to these same ideals for nearly 200 years. And as in each generation we mold and adapt our democratic form of government -- and our democratic, capitalistic economy -- to fit the needs of the day, we invariably enact legislation and set up the means to safeguard those values that are basic to our way of life. It is not our ideals or goals that we have changed. It is merely that in a different context we must use a different means to preserve them.

At times, perhaps, we have let the events of our lives outrun our ability to keep up with them -- but in the end, we have retained control. We have not remained content to ask "Where are science and technology and new institutions taking us?" but have instead set our goals and made the decision as to where we wanted to take them in order to keep the values upon which this nation was founded.

This is one of the major issues that engages all of us today -- in agriculture as much, if not more, than elsewhere.

(more)

USDA 3064-64



Our agriculture is, and always has been, one of the strongholds of individualism in this country. We have made it so by deliberate intent, from the very beginning. We granted free lands, established governmental and educational institutions, services and regulations, and enacted many laws -- all toward that end.

No one can deny that this policy has paid off handsomely. The efficiency and the productivity of our agriculture have made possible the building of a great industrial nation -- and our people are the best fed, at the least real cost, of any people at any time and in any place.

Moreover, our production system has been matched by a marketing system that in many ways is also the most advanced that the world has ever seen. This, too, we have encouraged through research and service, both governmental and private, and through the demands and the patronage of a busy, generally affluent, mobile, and increasingly urban population.

But with these developments have come pains of adjustment -- and for some people in some places they are severe indeed. Among them has been the long protracted decline of the small independent grocery store of earlier years. Many of the supermarkets that have replaced the corner grocery are independents -- but most of them are organized in one way or another to gain the advantages of scale in procurement and merchandising that their rivals, the corporate chains, enjoy.

What we have today, in a word, is mass merchandising of foods, in much the same way as in industrial goods. And this has come about in large measure during the years since World War II. Perhaps food processing and distribution were among the last major industries to become industrialized.

But once started the process has moved at an amazingly rapid pace.

Competition for the consumer's dollar, among all kinds of mass retailers, is becoming increasingly intense. Because the rising level of incomes in this country has made it more nearly possible for people to buy all the food they desire, they will not increase per capita consumption very much if prices are reduced or even if average incomes rise. Nor will they quickly reduce total consumption very much if prices go up a little. This causes the retailer to intensify his efforts to capture a bigger share of the existing market -- it leads to efforts to attract customers through devices such as "specials," games, and so on.

Also, to promote and protect his regular trade, the large-scale retailer must have an absolutely dependable supply of standardized quality product -- uniform not only from store to store but also from day to day and even year to year.

These requirements cannot be met by haphazard assembly of variable qualities at variable times -- it takes close coordination from production, through processing, transport, warehousing, and final delivery. And there is a far closer tie of agriculture into the workings of the general business community.

And this requirement has led to entirely new business relationships between the various segments of the food industry -- relationships that sometimes bypass in whole or part some of the open market exchanges which have traditionally been the means of price discovery for most of our food products.

(more)

USDA 3064-64

At the same time, because of what economists call the inelasticity of consumer demand -- you might as well call it the inelasticity of the human stomach once it is fairly full -- open market prices are becoming ever more sensitive to changes in supply. And with fewer and fewer buyers of a new type competing in a different way for this supply, the actions of each take on new and different significance.

So if you have been saying to yourself, "What does all this have to do with the price of grapefruit?" -- I think you are beginning to see the point.

Citrus growers in this and other regions have been for some years in a rather unusual position. Every time the supply situation threatened really and drastically to get out of hand, a freeze, hurricane, or other natural disaster seemed to come along, almost providentially, to cut it back. This is a difficult way to adjust supply. It has worked real and severe hardship on the many individuals who lost crops or trees. Yet despite this harsh and often wantonly inequitable impact, it has somehow seemed to have kept the industry as a whole from facing quite the same over-production problems as have plagued producers in some of the other farm industries.

So you in the citrus industry have, as a whole, been given something more of a period of grace to make your plans for the future than have many other producers. You are wise in having formed an organization that can help you do so.

In my experience, the producers who have been most successful in maintaining their independence, while adjusting to and operating profitably



in today's food marketing system are those who have organized themselves to obtain the advantages of scale in those functions where scale advantages really exist, and remained independent in other operations.

Yet, this does mean and perhaps must and even should mean, some lessening of independent decision in some aspects of operation -- but overall, I think, there is more freedom to be gained than lost through voluntary cooperative organization. Jessamyn West, the novelist, writing on the founding of the citrus industry in California, said that "to band together, every man (must be) willing to be a little less in order to get a little more." And in a sense to be a little less in on this sense is often really to be a little more.

Cooperative organization of many kinds, after all, is in the best and longest-standing American tradition. When we didn't like the treatment we got from the British Crown, we organized and gained our independence. When our 13 original States found they couldn't operate efficiently as independent States, they organized a Federal government. Trade organizations are a long-established tradition in this country -- and they often speak with an effective voice.

Such organizational efforts have been the means of enhancing personal freedom and independence in most areas, while circumscribing it in a few. And this is the only way, really, that anyone has freedom. Farmer cooperatives are in the same pattern. Individual freedom must always be expressed within freely accepted rules wherever people live or work in concourse.

(more)

USDA 3064-64



The most successful have been those that have not been merely alternative sources of supply or sale -- good as many such organizations have been -- but have actually provided a means for members to act together in a way and to do specific things they could not possibly do as individuals. This is, in fact, the only real privilege granted to cooperatives and not to some other forms of organization. Both President Johnson and Secretary Freeman, who are vitally concerned with the problems and needs of farmers in today's economy, have given their support and encouragement to this form of self-help enterprise.

The Department of Agriculture has long been charged by law representing the policy of this nation at large, to foster the cooperative idea as being in the public interest. And it is in the public interest. For, as we have noted, our family farm system of agriculture has proved over many years to be the most efficient and productive yet devised by man. Yet despite the many functions that are most efficiently performed by the family farm acting independently, there are some procurement and merchandising functions where group action is most efficient.

For instance, a 60-acre grove is about as efficient in terms of production activities as a 1,000-acre grove. Yet a 60-acre operation cannot alone handle all its marketing or procurement or bargaining functions as well as can a group of several thousand 60-acre producers functioning jointly.

A group of this size, holding the selling rights to a large supply, speaks with an effective voice indeed. Moreover, it offers the means to plan a harvest so as to provide for an orderly flow of fruit to market

and to share the risks involved. By pooling, the risk of leaving some fruit for late harvest does not fall on the individual alone. Periods of lower prices may sometimes be compensated by periods of higher prices. And through orderly flow of your crop to market, you may be able to avoid the risk of diverting buyers to other regions or other commodities. You may have a means to better channel off-qualities into alternative outlets -- and to bargain more effectively with these outlets. You could, perhaps, have your choice of buyers instead of vice versa. Nor would buyers -- as they quite naturally attempt to do -- be able to seek out the weakest links and thus establish prices at the lowest levels. And you could avail of product differentiation development, merchandising and promotion functions clearly foreclosed to individuals.

This is not to say that such group action could necessarily bring great or monopolistic price rises to producers. There are too many closely substitutable products to make that possible. But it could go far toward stabilizing prices and toward giving producers a greater voice in product specifications, terms of delivery, and even of margins, in the kind of economy in which they ~~must~~ operate today.

Group action, or organization, does not have to take the form of a farmer cooperative, of course. There are other effective means of organizing. And there are many alternative channels open both in procurement and sales. But cohesive, market-oriented producer groups have become, except for the very largest operators, almost sheer necessity for today's farmer in today's market with respect to many functions directly related to net income. If it is not the only way to retain your individualism

and a profitable enterprise today, it almost certainly is one of the major means.

Demands for high-level efficiency -- for dependable supply in large amounts of uniform quality product -- for close coordination with all the segments of the food system -- will not diminish in the months and years ahead.

There is much pressure, even now, to match production practices more closely to the needs of the system. The big question is who is going to do the necessary organizing? Will it be organizations controlled by farmers themselves -- or will it be off-farm interests? And if the latter, will new forms of government regulation be required to define or to protect the interests of the general public?

These are some of the questions that led President Johnson to propose, and Congress to authorize, the creation of a National Commission on Food Marketing.

This Commission, on which Texas Congressman Graham Purcell serves as a member, is just now beginning its work.

The Commission has a very large and a very important task cut out for it. It is charged with assessing just what changes have occurred, principally in the past two decades, in the various segments of the food industry -- and what changes are likely to materialize if present trends continue. Most important, it is asked to assess whether these changes will be consistent with the national long-run interest, and if not, what kind of food marketing system would achieve a desired distribution of power as well as desired levels of efficiency.

(more)

USDA 3064-64



As President Johnson pointed out, this information is urgently needed so that "farmers and business people may make appropriate adjustments and our government may properly discharge its responsibility."

What is this responsibility the President referred to? It is just what we have been talking about -- to protect and enhance the rights of individuals, their freedom of choice and equality of opportunity. This always has been our goal, and the basic purpose of our government -- Federal, State, and local.

It is this same goal that President Johnson talks about when he calls upon us to build a Great Society -- a society where there is equal opportunity for all, rural and urban, farmer, worker, manufacturer, merchandiser, and consumer.

Our government has always fostered individualism -- the right to dissent -- to determine for ourselves our own destiny. In no area have these basic rights been better protected and preserved than in agriculture.

Farmers themselves have long been in the forefront of those working to preserve these values. They have in the past made use of their freedom to organize and take action to alter society or events when they felt it necessary to do so. I fully expect that they will do so again -- within the framework of our democratic system, with the full encouragement and sanction of government, as being in the public interest.

Our government has always been able to adapt itself to meet the needs of our people under changing conditions -- there is every reason to expect that it will continue to do so. Our people, including our farmers,

(more)

USDA 3064-64



have been no less adaptable.

The severity of the test we all -- government and citizen, and government is the sum of our citizens -- face today arises out of the accelerated rate of change. The challenge is to accelerate our rate of understanding of what has happened, and is happening, in our economy -- and to accelerate our rate of progress in adapting our services, our regulations, our institutions, our organizations, and ourselves to a new age.

We must make sure, in other words, that change -- technological, scientific, and economic -- remains our tool and does not become our master -- so that our cherished individualism is not lost in the shuffle of our changing world.

- - - - -

USDA 3064-64

U. S. DEPT. OF AGRICULTURE  
NATIONAL AGRICULTURAL LIBRARY

OCT 27 1964

C & R-ASE

NOV 4 - 1964

C & R-ASF

June 12, 1964  
Cop 2  
IN BACK OF TOMORROW

It's always a pleasure to come back home again, and I am honored to be here today as your commencement speaker.

This ceremony is quite properly called commencement. It is the commencement of many things -- not the least of which is, in a sense, your education. For education, of course, is not something that is acquired just in college. And I think perhaps you are more aware of that today than was the class of 500 students that entered this college 35 years ago.

Those of us who began our studies here in 1929 had passed through a decade in which, we were given to understand, the possibility of war was forever removed. There was prosperity and it was understood also that there would always be prosperity.

Yet, war had not really ended, and even then there existed a fully totalitarian system in Italy, its purposes and means of operation fully defined. Somehow, also, eternal and ever-rising prosperity had not really been assured. The seeds of the black days of October 1929 must somehow have been planted long before.

Today, the world of 1964 is far different from that of three and a half decades ago. Again we are enjoying a period of unprecedented prosperity. Again we have a deeply troubled world,

---

Commencement Address by Assistant Secretary of Agriculture George L. Mehren at Sacramento City College, Sacramento, California, June 12, 1964, 9:30 a.m. (PDT).

---

but it is a world without major armed conflict. If we have learned now how hard won and how fragile these blessings are, then we have indeed taken a step forward.

We have, I hope, learned a great deal more in these thirty-five years. I cannot tell you that we have faced up to all problems, solved all issues, and conquered all injustice.

But problems there were when the class of 1929 left this college. By the time Franklin Roosevelt took office in 1933, 12 million men -- nearly 25 percent of the labor force -- were unemployed; 32,000 business firms and 5,000 banks had failed; and national income had fallen by half. It seemed to be the fault of no one in particular and no one seemed fully to see the solution.

It was a desperate time and men were willing to listen to desperate proposals. The Nazi-Fascist movement rose in power in Europe. The Communist regime in Russia gained political strength. Democracy, many people said, seemed spent and hopeless.

But Mr. Roosevelt assured a nation that seemed tightly locked in the grip of fear that the "only thing we have to fear is fear itself." And Americans set about to cure the ills of the country within the same democratic framework that had made it great.

"We face the arduous days that lie before us in the warm courage of national unity," he said in one famous passage, "with



the clear consciousness of seeking old and precious moral values ... We do not distrust the future of essential democracy."

Mr. Roosevelt's measures -- widely criticized then and even now -- did pump vigor into the economy with relief and public works programs, with loans to business, and through devaluation of the dollar by departing from the gold standard. Banks were closed. The sound ones reopened under new regulations which make bank failure a modern rarity. Government insurance was provided to protect depositors. The Securities Exchange Commission was established to oversee the selling of stocks and bonds. The Wagner Act changed the course of labor management relations by protecting the right of workers to organize into unions and to bargain collectively. Unemployment compensation and Social Security laws gave broad segments of the population more economic protection than they ever had before. The high tariff of the 1920's was discarded for the more flexible provisions of the Reciprocal Trade Act.

But even though income tax rates -- especially those in the higher brackets -- were boosted and loopholes were closed, the budget could not be balanced as many, including Mr. Roosevelt, thought desirable. Indeed an attempt in 1937 to achieve a balance was blamed for another severe recession.

Some people say that war in Europe got the U.S. economy really rolling again -- but long before that the self-respect and the confidence of this nation had been restored.

Totalitarianism and the outbreak of revolution and war in Europe and Africa, and in Asia, gave rise in the United States to a wave of isolationism. Our people seemed to be determined not to be involved again in the troubles of the Old World and so the Congress enacted the so-called neutrality legislation designed to make of America a

"fortress built by Nature for herself  
Against infection and the hand of war."

That legislation proved about as effective as King Canute's commands to the tides. Within a few years, the United States was swept into what had become a world war; after Pearl Harbor we came to play the decisive role in that war.

We emerged as the most powerful of world nations, with the greatest industrial plant in man's history, and a clear acceptance by both major political parties of public stewardship of the private economy, yet respecting the freedom of individuals and of enterprise.

We emerged also with a new sense of world responsibility. Never again, in a world shrunken by new forms of transportation, communications, and weapons of destruction, could we withdraw from world political affairs as we had done after World War I.

The United States took the initiative in salvage and rehabilitation of allies and defeated foes. Our nation was the leader in setting up a new international order. It was eminently

appropriate that the United Nations headquarters should be fixed in New York City. Every American President since that time has given wholehearted support. President Johnson, in his first address to the UN as President of the United States, said that "more than ever we support the United Nations as the best instrument yet devised to promote the peace of the world and to promote the well-being of mankind."

The nearly two decades since the end of World War II -- while you were growing up -- were years of cold war tensions, of rising expectations of peoples around the globe, and of technological progress. The colonial system was almost completely dismantled. Some 50 new countries, with populations totaling almost a billion, came into existence, with the aid and encouragement of both the UN and the U.S.

American friendship and responsibility to humanity were expressed in massive and continued aid to the nations of Asia, Africa, and Latin America.

With U.S. aid, the war-devastated countries of Europe, and Japan, were rebuilt. By the mid-fifties they flourished as never before.

At home -- when the second World War of my lifetime had ended -- the pent-up demand for consumer goods, the building of our nation and help in rebuilding other countries, kept employment high and factories humming. Wage and price controls had suppressed



runaway inflation during the war; when they were removed by Congress in 1946, before demand had been sated, the Consumer Price Index soared in three years to 165 percent of the 1935-39 level. This touched off the still-continuing struggle to contain the wage-price spiral without imposing government control upon the actions of our people and our industry.

Inflation was only one of the post-war crises. The struggle among political, social and economic ideologies had not really been resolved. In 1950, communists in North Korea invaded South Korea, which had earlier been liberated by this nation. It was the first real test of the fledgling United Nations and it almost failed. Only the lonely and gallant decision by President Truman to send our troops into Korea saved the UN from dissolution as an instrument for collective security. The line against invasion had been drawn earlier in many places, but in Korea many nations stood together.

Hardly had this conflict ended in a still uneasy truce, when war developed in Indochina. Interrelated crises of many different types developed -- in Iran over foreign oil companies, in the Near East over the Suez Canal, Syria, and Israel, and in North Africa over termination of French suzerainty.

Behind all these issues loomed the greater and never ceasing struggle that had prevailed for a half century -- the cold and sometimes hot war between the Western democracies and the Eastern communist nations. Both sides built their military arsenals



and acquired vast stocks of weapons sufficient to destroy the world. The war of nerves reached its peak with the resumption of nuclear testing by both sides and the confrontation in Cuba in 1962.

Yet this crisis was followed last year by the signing of the nuclear test-ban treaty and a general relaxing of tensions around the globe. Some believe we have now entered an era of détente. At the least, Khrushchev has become the vocal supporter of the idea of peaceful coexistence, and there has appeared an obviously growing schism between the Soviet Union and the Chinese communists, as well as between communist factions in other countries. At long last, we can see the tide of history moving, as it may well always have done in the long run, clearly away from a monolithic and toward a pluralistic world. As Arthur Schlesinger, Jr., has put it, "The rock on which closed society must founder is the stubborn and irreducible pluralism of the world."

Our own system, in fact, is based upon the conviction that the world is diverse and spacious, and that for the indefinite future it will have room for a great variety of economic and social systems, political creeds, and philosophic or religious faiths. Our major purpose domestically is to maintain a system in which dissent is respected and can be resolved by Constitutional process -- and internationally to support similar freedom of choice for any nation that wants it.

We are not naive enough to think that supporters of other systems have abandoned their hope of extending their control throughout the world, nor have they ceased in any measure to believe in the universal character of their doctrine. Yet we dare now to hope that the conflict between different systems may be carried out not by war but rather in ideological, cultural, social, and economic fields.

For the past generation we have been, necessarily, preoccupied with power; perhaps we can now turn to the more constructive problems of peace.

Certainly we have the means to do so. In just the years since you started your studies here, we have emerged from the most recent of the economic recessions which plagued us in the 1950's into the longest and strongest peacetime expansion of the century, and with a remarkable record of price stability.

Our unemployment rate is down from nearly 7 percent in early 1961 to 5.4 percent. Our Gross National Product is up nearly 17 percent, measured in constant dollars, and is now running at the rate more than \$600 billion a year.

In those same years, industrial production rose 24 percent and corporate profits, before taxes, went up \$16 billion or 41 percent. Personal income is up, too, to the tune of \$75 billion or 18½ percent.

And in addition, we are now engaged in all-out war on poverty in the United States to improve the lot of that one-fifth of our nation which has not as yet shared adequately in the fruits of our economic growth. As conditions improve for these American people, and their purchasing power grows, they too will contribute more fully to our general economic expansion.

By all the standards of history that measure the success of nations, America is at the flood tide of growth and achievement. We have become preeminent in world power and responsibility; we have for the first time in human history created a society in which poverty is no longer tolerable as the normal condition of many people; we have developed stable political institutions which, with all their imperfections, have proven adaptable to change and at the same time capable of preserving liberty and law; we have achieved, despite its difficulties, the most productive and the most highly equalitarian economic structure ever known.

The problems that confront us issue directly from these achievements. They are no less compelling, no less fraught with danger, for being problems generated by success. They may indeed be more dangerous because success breeds satisfaction and satisfaction breeds complacency and sometimes even arrogance.

But if we can solve the problems of success, as President Johnson has told us, we can build a great society. "We are," he said recently, "at a turning point in the history of our nation. One road leads to the Great Society, where man's spirit finds

fulfillment in the works of his mind. The other road leads to a legacy of despair and degradation where man's hopes are overwhelmed by change he cannot control."

The Great Society will be built in our cities, in our countryside, and in our classrooms.

Many of you will live to see the day, 50 years from now, when there will be 400 million Americans, four-fifths of them in urban areas. In the remainder of this century, urban population will double, city land will double, and we will have to build homes, highways, and facilities equal to all those built since this country was first settled. So in the next 40 years we must rebuild the entire urban United States.

We must rescue our countryside from misuse, and begin the greatest conservation movement in all history. We must clear our rivers and streams from pollution and cleanse the air of the waste that even now befouls it in many places. We must develop new parks and playgrounds, and, at the same time, recognize that farm land can produce recreation as well as food and fiber for an income crop. We must preserve the green areas and open spaces which sustain the spirit and give meaning to living.

To serve the American ideal of giving every child an equal opportunity to develop his talents to the fullest, we will need over the next few years fully a million more people in the field of education. And we will need many more classrooms. We



need, in many areas, to improve the quality of education -- where classrooms are overcrowded and curricula are outdated, where qualified teachers are underpaid or wherever paid teachers are underqualified.

Above all, we must adjust our minds and attitudes to a totally new era. For there is no blueprint, no grand design, which tells us how best to respond to the imperatives that appear before us. There never is. But Thomas Paine said long ago, "Each generation is, and must be, competent to all the purposes which its occasions require."

And so it must be. Our country is not like a machine that is created at some point in time and then maintained with a minimum of effort. It is continuously recreated, for good or ill, by its members. This may strike some as a burdensome responsibility, but it will summon others to greatness.

The President has asked young people throughout this country to join in the battle to build the kind of society envisioned first by the founders of this nation. Their vision, he said, can be our reality.

For the first time in history we know that it is physically possible to produce plenty, not just for a few, but for everyone on earth. It is physically possible to produce this abundance with fewer farmers, fewer workers, and more machines. This is the potential -- and the problem -- of automation,

technology, and mechanization in the new world of potential abundance.

It is your opportunity to explore this new dimension, this new frontier of abundance as it will increasingly affect all areas of our national life in the days ahead. What we make of it will largely depend on how well you and the thousands of others who are graduated today and in the years ahead from colleges and universities have prepared for it -- and how well you continue to study and learn as you experience the impact of the revolution of abundance.

So the problems that face the class of '64 are far different than those that confronted us in 1931 -- yet there is an essential link. The link is here in this school where each generation in its turn fortifies itself for the future with the lessons we have learned from the past.

I learned in this college that Spinoza said that experience becomes valuable when, by imagination and reason, we turn it into foresight.

Therefore, we may hope that the lessons of the past three decades, learned in boom and depression and despair, in the horror of hot war and in the terror of cold war, and in the turbulence of drastic change, were not in vain, and that from our mistakes and our successes, our weaknesses and our strength, you will be able to pick a surer road ahead.

You are indeed graduating in a time for greatness. I envy you the opportunity and I wish you well. The Great Society

is not a safe harbor, a resting place, a final objective, a finished work. It is a challenge constantly renewed, beckoning us toward a destiny where the meaning of our lives matches the marvelous products of our labor.

----

USDA 1858-64





Food preservation and storage is as old as man. Even when Columbus and other explorers went sailing around into dangerous and unknown seaways, they were seeking a better way to preserve food -- with the spices of the Orient -- so that it could be stored more efficiently than before.

But, before man could discover better means of storing food he needed research. And Columbus had to sail half way around the world to research his theory that the Earth was a globe.

Today, in an industry dedicated to improving the ways of preserving and storing food, we celebrate the Golden Anniversary of one of its most important research tools -- Cold Storage Reporting -- no mean accomplishment today, let alone 50 years ago.

Why do we have Cold Storage Reports? Well, one reason is that Secretary of Agriculture James Wilson in 1912, as a result of two years of investigating how long food was kept in storage, safe levels of storage, and how speculative were some of the practices in the trade, saw the need for keeping the public informed about the amounts of food stored from month to month and the movements of food into and out of storage.

---

Address by Assistant Secretary of Agriculture George L. Mehren at the 1964 Annual Meeting of the National Association of Refrigerated Warehouses and the Refrigeration Research Foundation, the Drake Hotel, Chicago, Illinois, April 20, 1964, 10:00 a.m. (CST)

---

But, more importantly, the greater needs of research, in a bounding economy with many new ways of changing output without further expansion of farmlands, were calling for such tools to be put into the hands of statisticians and economists.

The morning of agricultural research had dawned fully. Research was needed to improve yields, to eliminate plant and animal disease, to enhance quality and -- for an increasingly complex society -- to improve the flow of food, through its many channels, from farmer to consumer.

Today we are reaping the productive harvest of the results of technical research in many ways. We see the fruits of our earlier efforts in genetics, physiology, and plant and animal research -- and also in the Cold Storage Industry.

For example, 50 years ago you originally reported only apple stocks. Meats, when they were added to Storage Reports in 1915, were a specialty product -- mostly cured -- and frozen food was unheard of.

Today, because of advanced technology and research, most stored products are frozen food -- 60 percent of the total weight under cold storage. Thus, much of what used to be under cooler storage is now under freezer storage, and even more space has been added to take care of this growing industry.

(more)

US 1019-64

Think of what might have happened if your industry had not taken a forward look -- had not analyzed the research? Cooler stocks, which accounted for 100 percent of your space 50 years ago, now share only 27 percent -- while frozen food accounts for nearly three-fourths on a space basis.

Let's look at the record, right out of our Cold Storage Report Statistics: Public Freezer Storage comprised 383 million square feet in 1961 -- four times the freezer capacity of 20 years earlier and 10 times what was available 40 years earlier.

And today we have a faster turnover of stocks in storage. When Cold Storage Reporting began 50 years ago, seasonality was the byword of the industry. Most stocks were stored for 6 months or longer. But now, stocks are rarely stored for more than half that time.

Furthermore, the picture has been changing regionally. The movement in the past decades has been west. As the frozen food industry has grown, the demand increased for freezer plants and warehouses close to farms and processing plants. The change has been significant. Forty years ago only 38 percent of all cold storage space was West of the Mississippi. By 1961 nearly half -- 46 percent -- of all cold storage space was in the West, and in the three years since then we may have gone beyond even that proportion. Without the growth in the East of the citrus concentrates -- mostly frozen orange juice -- there is no question that cold storage would now be predominantly a Western industry.

And while the physical research has been developing -- and producing its fruitful results -- a parallel development has been taking place in the field of agricultural statistics.

The Department of Agriculture, going back to the early days of crop reporting, has been dealing with the "numbers of agriculture" and attempting to prevent problems before they occur. Today, the Department has the world's most accurate and sophisticated crop reporting and forecasting program -- the Statistical Reporting Service.

The numbers of agriculture -- statistics on almost every agricultural subject, from the number of eggs produced each month, to the number of persons working on farms each year -- are used by our economists and statisticians for scores of research programs geared to enlarge our market basket, enhance the efficiency of storing food and fiber, and to modernize our power and transportation systems.

Despite all this progress and our apparent abundance, many of us in the United States don't see too clearly how fine a line there is between abundance and scarcity. Many of us tend to shrug our shoulders at seasonal slumps. But one of the decisive factors keeping us above the fine line and narrowing the seasonal gaps is research. It lays the foundation for future abundance and progress, and guarantees the continuing strength of American and Free World economies.

(more)

US 1019-64



The importance of agricultural research -- both technical and economic -- is seen more and more in the ever-widening scope and depth of our scientific and economic activities, and in our continuing search for proper research emphasis to meet our needs in a changing world.

Basically the Department is set up to engage in fundamental, applied and developmental research on the production, marketing and use of farm products. Our goals are to provide more and better food at reasonable costs; to help the entire food industry prosper; to help protect our production potential; to help the American consumer to a more abundant, healthful and economical diet; and to help adjust land, water, and human resources to meet the growing needs for recreation and forest areas.

Research has paid off in the resulting abundance of the past decade. But how about the future? Sociologists and economists are telling us that perhaps by the year 2000 -- little more than 35 years hence -- we might have well as many as 424 million people in this country, an increase of 125 percent over present population estimates of some 190 million. What does this mean for food production? More pointedly, what does this mean for food storage?

For one thing it means we will need more than twice as much food and other farmer products as we are using now, just to maintain present per capita diet levels. How can we do this without research into improved yields, into improved quality, and into improved techniques of processing, packaging, transporting and storing?

Thus research is perhaps the most vital tool available to the Department. Most of it is built on the foundation of participation among producers, industry, and Government, as are the Cold Storage Reports.

One way in which the value of Cold Storage Reports can be seen is in their growth over the years.

When Cold Storage Reporting began in 1914 there were 289 firms reporting. Some 200 of them are still reporting regularly. One thing is sure: without the unceasing support of storage firms such as those 200 we honor today our service would be well nigh impossible. From the 289 firms reporting in 1914, the program has grown to include more than 3,000 firms in 1964. Part of this growth is the result of intelligent use of the reports by the Cold Storage Industry throughout these many years of progress.

We in the Department recognize and deeply appreciate the time, the expense, and the effort you contribute in providing material for Cold Storage reports. However, we are sure that you are as aware as we are of the increasing importance of these reports as a planning tool. More and more of the business community -- the cold storage industry as well as all the food industries -- are using the reports. In addition, there is the original mandate for the reports -- informing the American consumer of the flow of foods into and out of storage.

(more)

US 1019-64

The reports serve in several ways.

First, as a convenience in getting to know, quickly, about the flow of food storage in all regions of the Nation.

They help you avoid pitfalls while planning locations for new warehouses.

The reports serve as an aid in financing the marketing of food products.

And they serve as a guide to changing storage trends for the food industry, for both long-range and short-term planning.

But the value of these cold storage reports depends on how you use them, of course. If you regard them as a guide or measuring tool, you're using them properly.

We in the Department have been tuned into the needs of industry. And as the needs of an industry change so do the tools. The Statistical Reporting Service that collects data for Cold Storage Reports is on a continuing search for more firsthand statistics. Where yesterday pork statistics were reported in a general way, today they are reported on basic primal cuts; and today strawberries are delineated in package sizes.

We are moving ahead in another way -- with high speed computers, even though there are still some bugs to be removed from the system -- we are giving more detailed and more accurate information than ever before -- anywhere.

From these efforts -- the consultations with industry, and the more accurate statistics -- we are invigorating our services to the American farmer and American businessman and the American consumer.

By careful study of the monthly reports, by intelligent application of the biennial capacity surveys, it is surprising how well you can keep your operation on an efficient "alert" and how well you can anticipate future trends. For these reasons alone the reports are worthy problem-catchers and money-savers.

And there are other ways in which your industry and the Department of Agriculture work together, aside from the reporting function, with great success.

For example, we were able to gain a better understanding of the influence of time and temperature on frozen foods. This is the delicate relationship between the length of time frozen products can be stored at the various temperatures to assure highest quality, freshness and taste. You are thereby able to assure more palatable and more nutritious frozen foods.

With your participation we are able to store, most efficiently, perishable foods acquired by the Commodity Credit Corporation under the Department's Surplus Removal Programs.

And, with your participation, for example, we are able to program effectively for National Preparedness developments. Yours is the only

(more)

US 1019-64



Industry that offers to the American consumer and the businessman, through Cold Storage Reporting, unparalleled estimates of food and storage facilities available -- updated to the month -- for USDA and National Emergency programs. Thus, the National Resource Evaluation Center of the Office of Emergency Planning is able to pinpoint the location of each of your warehouses for protection and use in case of National emergencies.

As we scan the past 50 years, there are other reasons to congratulate the Cold Storage Industry -- and they all add up to that canny talent of American enterprise: vision. It was your vision that was responsible for establishing the Refrigeration Research Foundation, which supports accomplishments in the best traditions of the food business. Another example of your vision was demonstrated in forecasting the tremendous impact that the Frozen Food Industry would have on the entire storage industry.

One of the unfinished pieces of business facing both the Cold Storage Industry and the Department of Agriculture today is the lack of information about stocks in other segments of warehousing. This information would strengthen our Cold Storage Reporting and offer us another handy tool to work with. The tremendous change in merchandising food to the consumer -- via the supermarket, for example -- brought about since World War II, has created a void in our reporting that keeps us from making true evaluations. I know that many of you join the Statistical Reporting Service in feeling that we should be receiving

reports from the individual warehouses stocking frozen food -- the small processor, the supermarkets, and the chain stores and other merchandising groups.

This might very well bring us to the point of total reporting of stocks in cold storage -- the original mandate of Cold Storage Reporting. We feel strongly that your Industry should be one of the judges of how much further our reporting should be broadened. Perhaps down to the supermarket or chain that keeps stocks in a cold storage vault on or near its premises. At any rate, the additional storage information would supplement the reporting by public and other warehouses in rounding out cold storage reporting. We hope that this can be accomplished some day soon. A good part of the effort is up to you. It is a "must" if we are to improve our services and offer each segment of the industry each month the whole-story-at-a-glance.

As I mentioned before, some frozen food companies are using their own storage facilities. This reminds me of a story -- the one about the specialist who lost faith...There was a printer who sold most of his plant's production to one of the industrial giants of the automobile industry. One day the automobile firm decided that it had so much printing and publishing to be done, it would set up its own printing plant, hire its own printers, and thus absorb the overhead and profit normally paid out in printing contracts. The elaborate plan lasted exactly one season, and then the company had to cry "uncle" -- and retain the original printing specialist. The specialist with his know-how did the job best, after all.

So it is with many specialists -- and food storage specialist are not the least of these. You are the cold storage specialists and you should be able to do the job best.

As you well know, two years ago -- for the first time in the history of food storage -- more than a billion cubic feet of cold storage space was being used by the Industry. Now, making a not too wild "guesstimate" of the outcome of this year's biennial survey of refrigerator space capacity, I would say that at least 10 percent more cubic footage has been added since the survey in 1961. How accurate that is we'll discover in the preliminary Special June Report, two months hence.

I expect it's in order for us to look ahead as well as to glance back, for from day to day we are shown the truth of the adage -- The World Turns on an Axis of Ideas.

One of the ideas in stored food is the frozen storage and distribution to retail outlets of unbaked bread. According to some current USDA research, the savings in avoiding unsold stale bread, in the ability to bake ahead in larger quantities, and in the reduction of wholesale and retail deliveries could quite possibly make this kind of handling the rule rather than the exception. One proof of the pudding might be found in the increased consumption of convenience baked goods. For example, specialty breads increased from less than 200 million pounds in 1947 to 630 million as long ago as 1958, a threefold increase. Who knows,

(more)

US 1019-64

this idea might do for the bread industry what freezing and dehydration did for the common potato.

Again, congratulations on the achievement of a half-century of efficient and profitable Cold Storage Reporting.

- - - - -

U. S. DEPT. OF AGRICULTURE  
NATIONAL AGRICULTURAL LIBRARY  
OCT 27 1964  
C & R-138



MAY 7 - 1964

C &amp; R-ASF

## UNITED STATES DEPARTMENT OF AGRICULTURE

For P. M. Release May 16

Washington, April 17, 1964

Asst. Sec. Mehren Discusses World Food Problem, Possible Solutions:

"Geography is not and cannot be permitted to become an excuse for hunger or even stagnation among human beings. Geopolitics and a simple regard for human dignity, make that course untenable.

"We know, I believe, what we must seek. In the world at large the resources are there. We don't yet know how to tie geography to geopolitics and these to the needs of man for food. But we are trying to find out. I think we shall do so because we must do so."

With these words, Assistant Secretary of Agriculture George L. Mehren summed up his remarks today (May 16) at a University of California Symposium on Food and Civilization, in the San Francisco Medical Center.

Speaking on "Geography, Geopolitics, and World Nutrition," the Assistant Secretary pointed out that the major question is whether or not the geographic resources of this world, given its institutions and its geopolitics, can provide food adequately to support projected populations.

"The facts of geography are compelling," he said. "There are many regions where present and potential food output falls well below indigenous needs. There are some in that classification that can trade non-farm goods for food. There are others that cannot produce enough to eat and cannot pay for imports - nor will they in the future. North America is the only region that in the decades ahead can sustain a high level of food consumption and yet provide a food surplus sufficient significantly to affect development of the poorer nations. Yet, this does not mean that North America alone can or should undertake the obligation - nor does it even mean that food

aid from North America could possibly suffice without coordinated change in domestic and foreign policies and programs in other nations."

Mr. Mehren stated that for 20 years the United States has used food as a major instrument in the rehabilitation of allied nations and in the development of new and often uncommitted nations. He said that food has and will long be a means of helping the "have not" nations, not committed to a hostile ideology, to become "have" nations.

Our food abundance gives us internal strength and releases some 92 percent of our labor force for other work, he said. Commercial food exports provide a large part of our earned exchange balances and thereby offset much of the deficit incident to our commitments in other nations. And while food has helped directly to mitigate hunger and malnutrition, in some cases it has also provided a powerful aid in internal development of other nations. Beyond doubt, such internal development is now and must remain the primary means through which new nations may achieve acceptable levels of nutrition.

#### Food Needs

The needs for food among regions of the world are clear. In the developed regions - North America, Europe, including the Soviet Union, and Oceania - average diets are nutritionally adequate. However, well over half the people in the world live in Asia, Africa, and Latin America, where average diets are not nutritionally adequate.

Measured by minimal standards, more than 1.5 billion people now are malnourished - a greater number of people than lived in this world in 1900, the Assistant Secretary of Agriculture pointed out.

The scope of need, our own consumption requirements, and the enormous financing costs of massive transfers of food mean that food aid must be used in areas of need mainly to accelerate the capacity of recipients to produce or to trade for food. And food aid cannot do this unless there be simultaneous adjustments elsewhere in production and trade.

If population continues to grow at present rates, massive future increases in food availability would be required in the deficit countries even to maintain present inadequate diets. Higher or better food availability can come only from higher indigenous production, trade, or aid - or some combination of all three.

In the slowly-developing regions, the man-land ratio is shrinking faster with each passing year, Mr. Mehren said. Even to meet present per capita consumption patterns, very great increases in yields per acre will be required in the future. These can only be obtained by changes in technology and in production inputs - fertilizer, pesticides, machinery, seed. Given land and people, higher yields can be gotten only by adding new combinations of inputs. The grip of tradition must be broken.

Grinding poverty - marked by hunger or malnutrition - itself impedes both indigenous production of adequate food and its transfer by commercial trade. In capsule, there is need but not monetary demand for large imports of food in the poor countries. Internal development is the single means significantly to increase indigenous production or imports.

In this frame, the dual purpose and effect of food aid must be weighed. Marginal or not, such aid has mitigated hunger - and this in itself is an end worth seeking. Yet there will be no real take-off into self-sufficiency -



by local production or trade or both - unless aid be used to generate accelerated economic growth and change.

Food deficits, measured in economic terms, in the slow-growth countries may quadruple over the next two decades. In the medium to rapid-growth countries, they may increase ten-fold.

These are staggering needs, but they are not beyond hopes of achievement.

#### Strategy for Food

Production, trade, and aid must and almost surely will develop differently in different nations. Yet the first goal for slow-growth countries is to eliminate nutritional deficits soon. Even with present geographic and institutional limitations, it is technically possible to provide and to distribute enough food to meet that goal within a decade or two. There must also be will and cooperation in developed and developing nations alike if this difficult goal is to be achieved.

It is possible that developed nations may one day consider the needs of other and poorer nations in framing their own food policy, rather than building aid or trade programs mainly on the basis of domestic policies. Such adjustments would also require explicit reference to trading policies in order to assure that specific programs will in fact enhance development.

We know, even now, relatively little in an operational sense about gearing food trade, commercial or quasi-commercial - or aid - to fomenting development, Mr. Mehren noted. We know that neither can much longer be simply an adjunct of removing surpluses.



We know that if food deficits are to be met, domestic production, trade, and aid policies must be oriented to ends broader than domestic price policy in the donor nations and mitigation of hunger or malnutrition in recipient areas. Coordinated world food policy must be integrated into development programs and perhaps this too must be on a world-wide basis.

Hunger and malnutrition exist today in heavily populated and poor regions that in the future may become poorer and more crowded if present trends go on unchanged. Unmet by increased indigenous output, by trade of present or newly-formulated types, or by aid, future needs in these regions could mean that economic stagnation or even famine could prevail widely through this earth.

Yet it is possible that men everywhere could live in decency and dignity. Geography is such that developed and developing nations together could conceivably fill the projected deficit even with present resources and known technology. North America will be the major but not the single surplus food area. Other developed regions may help with nonfood aid and by adjusting their own trade policies. The geography of the world permits this goal, and perhaps geopolitics will require us all to try to reach it.

Donor or helper nations, it appears, must find ways first to adjust their own production, trade, and aid policies to needs elsewhere as well as to goals at home. Recipient nations must find ways to use aid and perhaps new kinds of foreign trade directly to accelerate their own breakthrough into self-sufficiency at decent levels of life according to Mr. Mehren.

For P. M. Release May 16



Reserve  
A280.39  
M47Z  
April 3, 1964

OFFICE OF THE SECRETARY

Washington, April 3, 1964

Statement by Asst. Sec. of Agriculture George L. Mehren:

Statements that passage of the voluntary wheat bill would result in increased bread prices have no basis in fact and are inconsistent with the record of the baking and milling industries since the close of World War II. It is possible that the retail price of bread could rise in 1964 as it has steadily for many years. If bread prices increase, the cause will be higher marketing charges.

Under the proposed legislation, the cost of wheat to the miller will be about the same as in January 1964 when the farm price was \$2 per bushel.

The plain fact is that retail bread prices in the post-war period have undergone a long-term increase, rising every year. Yet, in some of those years the price of wheat fell, and the farmer's share of the bread dollar has declined.

Each year since 1947-1949 consumers have paid more for bread than in the preceding year. This trend has had no relationship to changes in the price of wheat, which accounts for about 12 percent of the retail value of bread.

Let me cite examples of two periods:

Between 1947 and 1949, the farm price of wheat dropped 43 cents per bushel, but the price of bread went up 1.5 cents per pound. In 1963, the average retail price of a one-pound loaf of white bread reached an all-time high of 21.6 cents, 8.1 cents higher than in 1947-1949. However, in 1963, farmers received an average of \$1.94 per bushel of wheat, or 41 cents a bushel less than in 1947.

Thus, the continued bread price rise since World War II is due entirely to the steady rise in marketing charges; the farm value of the ingredients in bread has remained relatively stable. Consider that transportation, processing, and distribution charges increased 8.3 cents between 1947-49 and 1963 while the retail price of a loaf of bread rose 8.1 cents.

(more)

If wheat prices drop 70 cents a bushel in the absence of new legislation to a level of \$1.30, farm income would fall by as much as \$600 million, and the effect in the wheat area upon local business and supply industries would be catastrophic. Against this, the retail price of a one-pound loaf of bread could fall at the very most by about eight-tenths of one cent -- or little more than the increase in marketing costs between 1962 and 1963 -- if the full decrease in wheat price were passed on through milling, processing and distribution.

Based on post-war history of margins, some decrease in flour price might actually occur. There is nothing whatever in post-war margin trends to indicate that retail bread prices would fall. In fact, processing margins have often been higher in years of lower wheat prices. Any decrease in wheat price would provide added profit to millers or bakers, or both.

The wheat program is designed to maintain stability in a major part of American agriculture, and to continue the progress over the past three years in reducing both taxpayer costs and surpluses.

- - - - -

U. S. DEPT. OF AGRICULTURE  
NATIONAL AGRICULTURAL LIBRARY

OCT 27 1964

C & R-155



NOV 4 - 1964

A NEW ERA IN FOREIGN TRADE

C & R AS

I'm delighted to have this opportunity to take part in your meeting.

But I want to make it clear right at the start that I'm not a tobacco expert and I won't try to talk like one. My purpose is to discuss with you a subject which, while it intimately concerns you as tobacco producers, has a broader context than the problems of your industry alone.

I want to talk about foreign trade.

We have come, I think, to an important turning point -- a critical year -- in our agricultural export trade. By the time this fiscal year ends next June 30th we will have exported about \$6 billion worth of food and fiber. This will be 15 to 20 percent more than we have ever exported before in any other fiscal year. Of these total agricultural exports of \$6 billion, about \$4.2 billion will be sales for cash. And that is another record.

Well, if we are exporting record amounts of agricultural products, why is this a critical year?

Because in May we will be starting new trade negotiations. And these negotiations, the Kennedy Round of the General Agreement on Tariffs and Trade, beginning two months from now in Geneva, are very likely to determine whether the export records we are setting this year will be goals to aspire to, but impossible to reach again for a long time to come, or whether we can climb still higher peaks in the years ahead.

---

Remarks by George L. Mehren, Assistant Secretary for Marketing and Consumer Services, U.S. Department of Agriculture, before Tobacco Associates, Inc., Raleigh, North Carolina, March 3, 1964.

---

We all recognize that the world has entered a new era in space exploration, another in international political relations, and still another new era in military capabilities. But it hasn't quite hit home to everybody that we have also entered a new era in agricultural trade.

There's a story going around that I think has some application to this subject. Little 5-year-old Tommy is one of the new breed of precocious youngsters. He is fascinated by missiles and satellites. His greatest heroes are the astronauts. He can spout scientific lingo about the Gemini capsule and about the Saturn and its 1.5 million pounds of thrust and what it will take to reach the moon.

But being only 5, he still likes his fairy tales and nursery rhymes. The other night, while putting him to bed, his mother recited the famous nursery rhyme about the cow that jumped over the moon. When she finished, Tommy looked at her with a frown of puzzlement. Then he said, "Mommy, how could a little old cow develop that much thrust?"

Tommy has adjusted his language to the new era of space exploration, and we have to adjust our actions to the demands of the new era of trade. Success in any new era always depends upon adjustment.

In this new era of international trade policies we need a lot of thrust. We can't expect to hold markets, much less expand them, unless we have sufficient thrust to take us where we want to go.

This is what I want to talk with you about today. Do we have enough thrust? What are we doing to develop more? What can you do to help?

As to the first question -- do we have enough thrust? -- we'd better make sure we do, because a thriving agricultural trade is absolutely vital to millions of farmers as well as highly important to our nation, and to the free world.

(more)

Let's see how important our \$6 billion worth of agricultural exports really are.

First, they add up to more than one-fourth of total U. S. exports.

Second, they create a lot of jobs, both on and off the farm. The on-the-farm jobs add up to about one million -- including an estimated 129,000 jobs in Texas -- 65,000 in Mississippi -- 61,000 in Arkansas -- and about 51,000 in North Carolina. In addition, there are thousands of off-the-farm jobs in such fields as finance, storage, inland transportation, and ocean shipping. For example, our farm exports last year were enough to fill over a million freight cars, or 4,500 cargo ships -- that's an average of 12 shiploads every day of the year.

Our exports are equivalent to the output of more than 60 million acres -- one harvested acre in five. Last year more than half of our production of wheat, rice, dry edible beans and hops -- two-fifths of our soybeans, nonfat dry milk, and tallow -- one-fourth of our prunes, raisins, and cotton -- one-fifth of our dry edible beans, lard, and cottonseed -- and one-fourth of our tobacco were shipped abroad. No matter how you say it, that adds up to a lot of farm products.

We send these exports all over the world -- to more than 125 countries and territories. In the advanced industrial nations, such as the Common Market countries, we compete for markets. We sell the Common Market countries a lot of agricultural products and we buy from them a lot of industrial products -- cars, cameras, fine laces and linens, optical equipment, diamonds, and so on. This raises the standard of living on both sides of the Atlantic, on our side and on theirs. In the less developed countries our agricultural exports serve two other essential purposes -- they provide food to those who desperately need it and they help these emerging nations stimulate and beef-up



their economies. Each year we are gaining more cash customers in these nations for both our farm and our industrial products.

American farm products are helping to feed, clothe, and provide enjoyment for more millions of the world's people than ever before -- and don't think that this factor doesn't speak out loud and clear in favor of American progress, of American agriculture, and of our sincere desire to help the underprivileged people of the world to a better life.

As for the importance of tobacco exports to you, all we need to do is recall the figures. In 1963, the U. S. exported 474 million pounds, farm weight, of flue-cured tobacco. That was about one-third of last year's production -- and it represented an increase in exports of about 9 percent over the year before.

A little earlier I said we have entered a new era in agricultural trade. What's new about it?

The technological explosion, for one thing. The immense forward drive in agricultural productivity, especially in the United States and in Europe, has created agricultural surpluses which bear down on farm prices and farm incomes. This same rising productivity has led many countries of the world to believe that now they can become highly self-sufficient in agricultural production -- even though they were never able to do it in the past. So on the one hand, the tendency to protect their farmers from low prices due to increased output leads to trade restrictionism. And, on the other hand, the prospect of increased productivity rekindles the desire of many countries of finally becoming agriculturally self-sufficient.

Another thing that's new is the Common Market. The Common Market, as you know, is an economic union of six Western European countries -- France, West Germany, the Netherlands, Italy, Belgium, and Luxembourg. It aims eventually to eliminate barriers to trade between its members. When this is done the



EEC -- on economic matters -- will act as a single nation.

We support the Common Market concept. But in the agricultural area, we cannot support some of the means whereby these countries are trying to make themselves an economic entity.

As a result of the policies already put into effect, U. S. exports of wheat flour to the Common Market countries dropped by 40 percent last year. Exports of poultry and poultry products dropped even more -- 64 percent. Import restrictions for grains which are under discussion within the EEC could seriously damage our future markets for wheat and feed grains. And the Common Market countries are seeking to base further agricultural trade negotiations upon a system of policies and levies that would seriously threaten markets for other products which we have served for many years.

The Common Market countries say that their relatively inefficient agricultures need to be restructured -- and they say they cannot do this if they open their doors to the competition of imported farm products. They say that their farmers need special protection because they have not shared as much as industrial workers in the new prosperity that science and technology have brought to the world. And their government officials say that farmers make up a sizable percentage not only of the work force -- but of the voting population -- and votes, they point out, are important.

The way we see it, the Common Market policies point to "overprotection" of its agriculture. Its variable import levy, in particular, creates serious trade problems for us. Here is how it works. Instead of a straight tariff, which importers can at least strive to compete against, the variable levy is arrived at by calculating the difference between the price of an imported product at the frontier and an established domestic price. If the price of an imported commodity is lower than the country's established price, the

variable levy is set at a point that will wipe out the difference. It does away with real price competition. Furthermore, the Common Market countries now present a negotiation proposal for agricultural products at the forthcoming Kennedy Round which, if adopted, would in effect require all the GATT countries to apply a system of variable levies on their agricultural imports.

This kind of negotiating proposal does not make for progress. It would wipe out the present system of trade agreements and practices worked out over many years and replace it with a new system which, in our opinion, would be detrimental to the best interests of the trading world.

So you see we are in a new era of agricultural trade relations. And the question of how much thrust we can develop in support of our position at the negotiating table looms very large.

What we have right now may seem to be an impasse. We want to step up our agricultural exports. The industrialized Common Market countries have been moving more and more in the direction of protecting their area's agriculture from outside supplies. Sometimes, when I consider this situation, I am reminded of a song that was popular a few years ago, "It Takes Two To Tango."

But I used the expression "may seem to be" an impasse. Actually, we have a good deal of thrust which we are bringing to bear. We have a number of possibilities for liberalizing trade.

First, and most important, the Trade Expansion Act of 1962 gives us a big "kit" of negotiating powers. There's a good deal of thrust in that. We can make tariff cuts up to 50 percent on most imported goods, industrial as well as agricultural, in exchange for concessions that foreign countries give us. We can cut tariffs to zero on some commodities in return for similar cuts abroad.

(more)

USDA 678-64

We believe that fixed import duties should be reduced substantially. The fixed import duty is the most common form of protection in the world, and it is still the prevalent form of protection here in the United States. We are willing to consider reducing our fixed import duties on agricultural products if we can get adequate response abroad -- we don't intend to give anything away -- and if the domestic situation permits a cut. We think other countries should be willing to do the same.

Second, we believe that if the negotiating countries adopt a general rule for reducing fixed duties, that rule should cover agricultural products as well as industrial. We have obtained agreement from our partners in the General Agreement on Tariffs and Trade that agriculture will be considered with industrial products -- not separately at the coming negotiations.

Third, where there are circumstances in which tariff cuts cannot be made, or where the tariff is not the real barrier, we are definitely interested in what has come to be called "market sharing." Market sharing is a special arrangement which would give the United States or any other exporting nation continued access to markets in importing countries or customs unions which desire to protect their agricultures with nontariff barriers such as variable levies or quotas. For example, if exporters have been supplying 15 percent of a country's annual consumption of a product in a recent representative period, exporters might ask that country to agree to provide an opportunity to share their markets on the same basis during the period covered by the agreement. Exporters, of course, would continue to compete among themselves for this market share.

(more)



Each market sharing arrangement should fit the needs of particular countries and the specific commodity involved. The core of each arrangement, however, would be the assurance by importing countries to efficient producing exporting countries that these producers would have an opportunity to compete with domestic producers for a given share of the domestic market. This market share would be based upon imports in a recent representative period. It should also provide for expanded imports as the total market grows.

We believe that our proposals add up to a negotiating plan the world can understand. We do not propose to build the trade negotiations around any particular domestic agricultural system, but rather to adapt the trade negotiation plan to the main systems of protection and duties of all the trading partners in the world. We are not sweeping away the successful negotiations of the past but rather starting from where we are. We are not seeking to flood the world with our products -- only to compete for a fair share of the world market.

This is a plan that benefits all nations -- developed and less developed alike. Most important, it is a plan for trade liberalization, and that is what the trade negotiations are all about.

But this is not the sum-total of our thrust in the agricultural trade picture. While the Common Market countries are important they are not the only nations with which we deal. We have important market development projects under way all over the world. Actually, our best customer for farm products is now Japan. In fact, Japan is a prime example of how market development

(more)



works. Only a few years ago the Japanese were receiving U. S. farm products on special terms under Food for Peace programs. Today, they buy a half billion dollars worth a year and pay for them in hard currency.

U. S. sales of wheat to Japan increased 15 percent last year, as a result of continued large-scale education and promotion. The Japanese people eat three times more wheat each year than before 1940.

Exports of poultry to non-Common Market countries where promotional projects are operating have increased, compensating in part for some of the losses in Common Market countries.

Soybeans were introduced in Spain six years ago, a new product to the people of that country. Spain is now the biggest U. S. cash market for soybean oil -- \$50 million worth a year.

At the new round of negotiations, we will seek the answers to agricultural trade problems not only with the Common Market but with other trading partners. Additional trade opportunities exist in such countries as the United Kingdom, Canada, and Japan.

Everywhere in the trade area we must expect the unexpected. The unexpected happened this year when the Soviet Union and some of the Eastern European Communist countries had poor grain crops and turned to Canada, the United States, and other free world countries for supplies.

It is too early to estimate how much grain the United States will sell to the Soviet Bloc. There are problems, as you know, in connection with shipping and other arrangements.

(more)

Does this mean that the Communist countries will become permanent customers for free world grain? Who knows, really? In my opinion, however, it would be extremely hazardous for U. S. grain producers and distributors to base long-term production and marketing plans on the possibility that bad weather will continue to plague the Communist camps. The percentages are against it.

But, meantime, we have gained from our deals with the Soviet Union and the other Eastern European Communist countries. We are obtaining dollars we need for surplus grain we don't need. We are improving our balance of payment position. We are reducing surpluses we otherwise would hold for three or four years. We are saving storage costs. Above all, we are giving the uncommitted countries of the world, most of which are predominantly agricultural, a chance to compare the relative efficiencies of free and regimented agricultures.

I think you will agree that we do have quite a bit of thrust in our agricultural trade engine. And we are developing more as time goes on.

Now, what can you do to help? In answering that question we need to take a look at the recent history of flue-cured exports. Actual shipments of flue-cured tobacco from the U. S. have not changed greatly from the level of the early 1950's. We used to export about two-thirds of the total free world exports of this kind of tobacco. In 1962, our share was 48 percent. Last year it was about 50 percent. Competing countries -- especially Rhodesia, India, and Canada have cut sharply into our share.

One reason, I am told, is that over the years we have been sacrificing quality for poundage. As a result, U. S. prices for medium and lower quality flue-cured tobacco have been above those for corresponding qualities produced abroad. Last year, however, the quality of the flue-cured crop was considerably

improved -- and as you know our exports were up 9 percent. I recognize, of course, that there were other factors involved, including smaller crops and higher prices in Rhodesia and lower stocks in U. S. tobacco in importing countries. But let's keep the quality factor in mind all the way from the seed to the finished product.

Just as the dollar is the currency of international finance, so U. S. tobacco grade standards are the currency of international tobacco trade. These standards are going through a period of modernization now. We're working to bring them up to date with the needs of modern national and international markets.

During the past year, grades for flue-cured tobacco were revised. We're aiming at fewer grade designations and more accurate reflection of today's marketing practices.

I wish I could bring you a reasonably accurate forecast on the outlook for future exports of flue-cured tobacco. However, it's still too early to determine the impact of the recent report, "Smoking and Health," on our export market.

As for the more distant future, you producers, and the tobacco industry, and we in government can get more thrust in our joint efforts by working together to:

1. Further improve the quality of U. S. leaf.
2. Emphasize sales for dollars.
3. Remove trade restrictions limiting the sale of U. S. leaf.
4. Make sales under provisions of special trade programs when feasible.

(more)

USDA 678-64

Now, in conclusion, let me stress again that this is a critical year for our agricultural foreign trade all across the board.

The trading countries of the world and the agricultural producers in these countries are truly at a crossroads. They may choose to travel the high road of trade expansion, or the low road of restrictive agricultural and trading systems.

If they take the high road it can mean expanded export markets, increased sales for U. S. farmers, and a better day for the world's consumers. If they take the low road it will mean higher costs to their consumers, lower standards of living, political differences arising out of economic protectionism, and a far more difficult world to live in.

Personally, I am optimistic. Though we face serious problems in our international trade relations, we have faced serious problems before -- and have come through. I am optimistic enough to believe that in our new negotiations with our trading partners we will come out again with agreements that will mean expanded trade for our agriculture.

We have vital interests in agricultural export trade.

We have an economic interest. We need the profits and wages that come from foreign as well as domestic sales. We want to ease supply pressures on U. S. farm prices. We want to sell a big volume of our farm products for cash in foreign markets to offset the currently heavy outflow of dollars and gold. We needn't feel apologetic about these practical objectives -- and I doubt that many of us do.

(more)

USDA 578-64



But we have a broader interest also. Our agricultural exports are promoting U. S. foreign policy by bolstering the peace and security of the free world. The industrialized nations look to us as a dependable source of supply for needed farm products. The less developed countries need our commodities not only to combat hunger and malnutrition but also to stimulate the economic growth that already is bringing larger commercial markets for our goods. And, who knows, the recent break-through in trade relations with the Soviet Bloc could possibly lead -- through trade -- to improved East-West relations.

We are in a new era in foreign trade, and like all new eras this one has its problems. But I think that the countries of the world eventually will solve those problems. Populations are increasing; living standards are tending to rise almost everywhere. Under such circumstances trade is bound to expand. Trade will expand because it is in the best interest of all the world's people.

- - - -

USDA 678-64



APR 2 1964

C & R-ASF

APPRAISAL OF FEDERAL MILK ORDERS

A280,39  
M472  
Feb. 24, 1964  
cop. 2

I appreciate and welcome the opportunity to discuss the Federal milk order program with you. My appreciation, however, is tempered with the knowledge that my topic -- an appraisal of Federal milk orders -- is complex and demanding. Perhaps even a full definition or description would go beyond my capacity or your patience.

How does one go about appraising the milk order program?

One approach would be to appraise it in terms of its acceptance by dairy farmers. The fact that an order can become effective only with more than majority approval by producers and must be terminated at their request appears to give almost automatic appraisal in terms of acceptance by farmers.

Today, nearly 190,000 dairy farmers deliver almost 50 percent of the nation's fluid milk supply to plants regulated by the 82 orders; and prices received by thousands of other dairy farmers are influenced by prices paid under the orders.

But farmer acceptance alone is not the single or even an adequate standard for appraising Federal milk orders. We must also ask -- are they operating in the public interest? Is it really necessary that

---

Address by Assistant Secretary of Agriculture George L. Mehren, at the Farm Bureau Eastern Dairy Conference, Chicopee, Massachusetts, February 24, 1964, at 11:30 a.m.

---

farm prices of milk be stabilized? If so, is there a better method of stabilizing milk marketing? Are the present objectives of the program still valid? The answers to these questions are vital to any meaningful appraisal of the Federal order program.

Perhaps the best way to appraise the orders in this framework is to review some of the problems inherent in milk marketing.

As Judge Jerome Frank once said in a decision relating to milk, "The city dweller or poet who regards the cow as a symbol of bucolic serenity is indeed naive. From the udders of that placid animal flows a bland liquid indispensable to human health but often provoking as much strife and nastiness as strong alcoholic beverages . . . The domestication of milk has not been accompanied by a successful domestication of some of the meaner human impulses."

This quotation illustrates the difficulty in achieving reasonable equality of bargaining power between producers and handlers without governmental participation under mandate of law and the requirements of due process. Dairy farmers produce a product which is highly perishable and unstorable. Output varies within the year and demand changes are not parallel. Fluid milk must be delivered to market every day, and consequently it is marketed within a highly organized and perhaps on occasion a somewhat rigid marketing system. Both supply and sales of milk are not immediately responsive to price changes, or in fact susceptible of control in response to any stimulus. These circumstances make dairy farmers especially subject to violent intra-seasonal changes in price and net income. They are thus especially in need of a program which helps them overcome an intrinsic lack of



bargaining position, and the Congress and Courts have held that the public interest is served by such programs.

Let's take a close look at marketing conditions which gave rise to early requests for legislation and some form of government participation to promote more "orderly marketing" in fluid milk markets.

As you know, the production of milk varies from day to day and even more widely seasonally. The demand for fluid milk also varies from day and to day/seasonally. Because of its perishability, milk cannot be stored to achieve a more even balance with demand. Fluid milk markets, therefore, must inevitably carry a daily and seasonal reserve of milk to make sure that the supply of milk will be sufficient to meet demand at all times. Simply put, if there is to be an adequate supply in the short periods, there will be a long supply in the flush periods.

The reserve supply of milk which is not needed for fluid use must be utilized in manufactured products and returns a lower price to producers than that used for fluid purposes. Historically, the reserve supplies of milk have created serious downward pressure on producer prices. Prices were highly variable and season average price often seemed to be closely related to manufacturing price at the peak of the flush.

In the early 1900's, producers in a number of markets banded together for the purpose of gaining greater bargaining equality with handlers, specifically to find means to contain price fluctuations and to raise returns. The Clayton Act of 1914 and the Capper-Volstead Act of 1922 encouraged the development of cooperative associations of producers in agricultural commodities. Milk producers, particularly those selling their milk to city markets, responded to this encouragement and a considerable number of milk producer associations were formed.

The associations found the problems of marketing and pricing milk extremely difficult. During these earlier years, they attempted to bargain with milk dealers for a flat price for all milk delivered, regardless of the use made of it. However, the pressure of reserve supplies, necessary for the fluid milk industry, led to a breakdown of the flat price plan. The highly competitive or atomistic structure of dairy farming compounded the troubles inherent in the nature of milk production and demand.

Some handlers refused to take reserve supplies from producers at the flat price because it had a lower value when converted to manufacturing uses. Other handlers attempted to expand their fluid sales by price cutting which in turn resulted in lower prices to farmers.

Individual dealers in a market -- also in a competitive and atomistic industry -- were not in a position acting separately to hold the line against violent price fluctuations. No distributor could long afford to pay a premium price for milk used for fluid uses and compete with others who were buying such milk at or near manufacturing milk prices.

The end of such price cutting among producers, like that among handlers, was the destruction of price differentials for Grade A milk production. Without a stable and dependable year-round income incentive for production of fluid milk supplies, the long-run welfare of distributors, consumers, and producers was seriously jeopardized.

As a result of such experiences, producers supplying most large markets realized that it was in their best interest, as well as the

interest of consumers, distributors and the market as a whole, to institute a classified price plan. Under such plans, distributors would pay a full Class I price for any milk for fluid use, and each producer would be paid for his proportionate share of the excess milk of his distributor or of the market.

In most cases, it was necessary to resort to some form of governmental authority to make such plans effective on a market-wide basis. Otherwise the advantage gained by any handler who might buy and sell for less would destroy the plan and the stability it was designed to achieve. Voluntary classification plans gave advantage to producers who did not participate. They involved a continuous incentive -- directly proportional to the success of the plan -- for participants to violate the over-all allocations. These built-in deficiencies of voluntary classification plans led to two major conclusions: (1) all producers in the market area must participate in benefits and burdens alike; and (2) there must be sanction against those who violated.

Government participation in milk marketing arrangements thus evolved as an extension of a marketing plan which first had been developed and used by producers and milk dealers. Means had to be found to assure the free assent of the majority of producers to these necessary conditions.

The classified use system of pricing milk has also proved a means of reducing seasonal and other short-range fluctuations in prices. This reduction in price variability is advantageous both to the dairy



industry and to the public. It is advantageous to producers because it allows them to make production plans with more assurance than if their prices were subject to greater price variation. It frees them from the full effect of the unavoidable flush period surplus upon the year-round average price on which they must live. Handlers find reduction in price variability advantageous because it makes their buying and selling policies more certain. They are able thereby to consider the demand for milk as well as the uncontrollable total output of milk in their own merchandising.

Stabilization of prices is also helpful to consumers because of the nature of the supply and demand for milk. A small excess can reduce producer prices drastically and a small shortage can increase them substantially. There are limits, however, to the amount of whole milk which consumers can utilize even when prices are very low. But when prices rise drastically some consumers may be deprived of milk altogether. The assurance of adequate supplies of milk at all times at reasonable prices is thus advantageous to consumers. And, again, if there is to be an adequate supply in the short season, there will be a surplus in the long season. If the surplus is not managed, then there will ultimately be chronic shortage. Moreover, there is reason to believe that the reduction in risk and uncertainty for the dairy industry which milk orders engender can also result in generally lower long-run prices to consumers.

Over the years, the Federal order program appears to have offered to farmers, dealers and consumers an effective means of resolving or at least substantially mitigating the problems and mistrust historically



associated with milk marketing. It has provided the power and responsibility of a cabinet officer acting under directive of Congress and the check of the courts to review and resolve conflicting points of view. The prescribed public hearing process for milk orders - along with many other statutory safeguards of due process - has given affected parties not only the opportunity but the responsibility to offer testimony concerning proposed new orders and proposed changes to existing orders. All phases of the administration of the fluid milk order program are carefully specified by law. As the Nourse Committee<sup>1/</sup> stated in its report to the Secretary, the order program is, "a truly unique marketing institution neither quite free nor fully controlled but heavily 'conditioned' by both private and public mechanisms and policies."

However, I am aware that criticism -- which is surely the right of all Americans -- has been voiced concerning aspects of the program. As example of one criticism, some people believe that the Department is not getting a true reflection of farmers' thinking because of the bloc voting authority afforded cooperative associations in the enabling legislation.

I do not share this belief. Cooperative members do or at least can elect directors as their representatives. If elected directors do not reflect the views of members, certainly they can and should

-----

<sup>1/</sup> The Nourse Committee was a distinguished and nationally-known group of 18 dairy leaders and economists headed by Dr. Edwin G. Nourse - appointed by the Secretary of Agriculture to study and make an objective and realistic appraisal of the Federal milk order program. Its report was rendered in December 1962.

be replaced if members are responsible to their own duty. It seems to me that if for any reason the cooperative is not organized in such a manner that this can be accomplished, then a solution may be in the reorganization of the cooperative. The bloc voting provision was carefully considered by the Congress and there is comprehensive and detailed legislative history behind it.

Another criticism sometimes heard is that the program does not do enough for farmers' income. It is argued -- prices should be higher -- dairy farmers' incomes are too low -- do away with the supply-demand pricing standard.

But, others claim order prices are too high. That the order program is a significant cause of the nation's milk surplus.

The level of prices prescribed under the legal standards governing a Federal order is such that the milk deliveries and fluid sales will tend towards a year-round equilibrium taking into account the necessity of maintaining a reserve supply to accommodate the daily and seasonal imbalance of supply and demand. Prices at this level are intended to assure producers of a return which is in accordance with actual economic conditions in the dairy industry and in the local marketing area.

The program, while not designed to enhance season-average prices to producers above supply-demand levels, does make a substantial contribution to producers' income over what producers might receive in the absence of a Federal order. This I think is the reason why over the years the program has grown as it has. The enforcement of

the classified pricing system and the verification of handlers' utilization assure producers that they are actually being paid in accordance with use and that all handlers are paying minimum prices specified. Without an order, producers have no assurance that all handlers are paying class prices and no assurance that utilization is correctly reported. In many areas producers would be receiving lower prices in the absence of orders.

Technically speaking, these are not monopoly pricing plans involving limitation of total supplies. They are orderly marketing plans that yield a higher season average price than would prevail if the same total supply were otherwise sold.

Further, producer incomes are improved through maintenance of stability in the prices for seasonal surplus milk. Experience in unregulated markets has shown that producers often have difficulty in achieving the optimum value for seasonal surplus milk even in cases where they have been successful in bargaining for a satisfactory Class I price. Further, price fluctuations in surplus milk may severely distort relationships between different areas and between different milk products.

Criticism may be justified and healthy as a means of maintaining a dynamic program in the best interests of all concerned, and we do not object to criticism. It is an essential check on any phase of democratic government. But we should not allow criticism to overshadow positive contributions in the public interest. The Nourse Committee unanimously stated, "the order system . . . has encouraged



more orderly conditions in the fluid markets which it serves than would have prevailed without it."

What of tomorrow? Have the orders outlived their usefulness? Are they still needed?

The basic economic and physical conditions which led to the distrust, strife and violence of an earlier year are still with us and, fundamentally, they always will be. I believe the dynamic technological and marketing developments which characterize the dairy industry today reach further than those of yesterday; and that the orders may provide a framework to adjust to these changes in the best interests of producers, handlers and consumers.

Let's take a closer look at the Northeast to see what's going on in the dairy industry.

In 1962 - the last year for which annual data are available - milk production in the nine Northeastern States was about 23 billion pounds - 27 percent more than produced 15 years ago; but, in 1962 there were almost 250 thousand fewer cows.

Bulk tank trucks have practically replaced can milk in many of these States. These trucks, taking advantage of modern roads and refrigeration have eased the movement of milk among markets. Last October, 60 million pounds of milk produced in the Northeast were sold outside the seven Federal markets in the Northeast. What disruptive and sudden price movements would have resulted from movements of this magnitude without Federal orders? What would have happened



if this milk had not been classified and priced by the orders? Consumers as well as farmers, most likely, would have seen abrupt decreases in milk prices followed by sudden and sharp increases. Dairy farmers would have found rational production planning more difficult. In the long pull, handlers and consumers would have been disadvantaged.

The number of milk dealers has been decreasing at a rapid rate. In 1962 there were 346 handlers regulated by the New York-New Jersey order. Five years earlier there were 490 regulated handlers. In other words, a 30 percent decrease in five years.

Concentration of volume in fewer hands has also taken place at the national level. From 1940 to 1958, the four largest dairies increased their share of the national market from 23 to 32 percent. The market share of the eight largest dairies increased from 26 to 41 percent.

While statistics are sometimes dull, to me the statistics I am quoting bear witness to the intense rivalry for milk sales.

Several factors are contributing to the trend towards fewer and larger plants. Recent technological developments permit and induce increasingly larger plants. Much of these developments are in the form of automatic processing and bottling equipment which requires heavy capital outlays and must be utilized to capacity in order to be economically feasible.

The rapid pace of technological developments appears to be another factor contributing to dealer concentration. The recent

development of plastic coated containers is an example. Many plants which had installed waxed carton equipment were faced with the decision of switching to plastic. In many cases the old equipment had not been amortized and the switch involved considerable loss.

Large and aggressive firms are expanding distribution areas into trade areas of smaller, local firms.

At the same time, consumers continue to switch milk purchases from home delivery to grocery stores. Most grocery retailing is through large buying groups of several types, all of which usually purchase their milk supply from one or two milk processing firms.

In this intense rivalry some local firms appear to be at a disadvantage. They seem to find it difficult to obtain a significant share of large grocery accounts. They are losing revenue as their home delivery customers gradually shift to store purchases, and the income that is left from their remaining home delivery is squeezed because of higher unit labor cost and expensive equipment.

Sales competition has different forms. It may take the form of straight price competition, but often it takes the form of nonprice competition including advertising and sales promotion. Present trends, if continued, would indicate that the industry is likely to become even more concentrated with fewer and larger plants.

In view of this increasing concentration, are farmers and farm groups more adequately prepared to bargain effectively on their own for prices today than they were in the 30's? I think not. Without

some regulation, prices might -- at least in the distant future -- be "administered" in a way quite different from that now prevailing. Competition could also be much different.

Federal orders should therefore be appraised in this light -- increasing market concentration of fluid milk distributors and the need for some mechanism to guide gains from efficiency in a manner consistent with the public interest. I believe that the Federal order objectives set forth by the Congress are basically as valid today as they were in the 30's.

I feel that much of the controversy -- understanding that there is much acceptance -- over aspects of the program stems from a misunderstanding of program objectives and from the desire of persons in the industry to rely upon the orders to accomplish purposes which the orders were not intended by Congress to perform.

While I have touched upon objectives of the order program in talking with you, I would like to attempt to set forth in summary form the major program objectives:

1. To improve milk producers' incomes, and give them the maximum benefit that economic conditions may justify by stabilizing marketing conditions through establishment of uniform class prices to handlers and pooling of proceeds, and through verification that established prices have been paid.
2. To protect the public interest through the development of regulations that assure consumers adequate supplies of milk at prices related to supply-demand conditions.



3. To regulate handling of milk for fluid markets in a manner which will minimize possible adverse effects of market concentration upon producers, consumers and in the long run upon milk dealers.

4. To establish such terms of trade between producers and handlers as will promote as free movement of milk as possible without jeopardizing effectiveness of the minimum prices prescribed in the orders.

5. To coordinate prices among markets and between the fluid and manufacturing segments of the dairy industry.

6. To accord recognition to producer-owned and producer-controlled cooperative associations.

While these same objectives have guided the program for the past 30 years, order provisions are not the same. They have had to be amended continuously to reflect changing patterns of milk marketing and distribution. Changes have been in the form of enlarging marketing areas, or in some cases, merging existing areas; closer coordination of order provisions; better alignment of fluid and manufacturing milk prices; and modification of provisions concerning milk from other sources. I am sure that further modification of orders in these vital areas will occur as milk marketing patterns continue to change in the coming years.

It is also possible that the basic enabling legislation will be amended. As you probably know, a bill introduced by Senator Proxmire to permit the use of Class I "base-excess plans" in Federal order markets was passed by the Senate last October.

(more)

USDA 547-64



Incidentally, an often overlooked by-product of the Federal order program is the large amount of market information generated by the program. There is probably no industry for which as detailed information as to changes in supplies, inter-market movements and sales is available to the public as is available for the large segment of the fluid milk industry regulated by Federal orders. These data generated by the orders are an important part of each public hearing record. They also provide researchers in colleges and elsewhere with a wealth of information relative to fluid milk marketing.

In concluding, I should like to make some general observations. For the most part we have good working relations with the dairy industry concerning the milk marketing order program. This has been due to our ability to communicate frankly and sincerely with each other, and it is important we keep these communication channels open, even though, on occasion, there may be disagreement. But, in talking with some representatives of the industry, I get the feeling that some tend to take the milk marketing order program for granted and others are inclined to attribute all the shortcomings of the dairy industry to the operation of the program -- using the program as a sort of convenient whipping boy. Too frequently they forget the objectives of the Agricultural Marketing Agreement Act, and more importantly, they tend to overlook its limitations. This is not peculiar to the dairy industry. It also happens in other agricultural industries.

Those who have benefited from the milk order program over its long history should remind themselves that this program is not and

should not be considered as a panacea for all the ills, changes, and adjustments taking place in the industry. This program is a valuable tool but it does not supply all the answers. It can never take the place of forward-looking, vigorous, and cooperative action by the members of the industry themselves.

-----

*File*  
U.S. Department of Agriculture  
Office of the Secretary

U. S. DEPT. OF AGRICULTURE  
NATIONAL AGRICULTURAL LIBRARY  
APR 7 1964  
C & R-ASF

*A280.39*  
*M472*  
*Feb. 21, 1964*  
*cop 2*  
COMMUNICATIONS, COMPETITION, AND THE ROLE OF USDA

It's good to get back home again, especially to meet  
with a forward-looking group like this.

Since I went to Washington last August, I've been doing quite a bit of traveling and meeting with various groups, ranging from producers to consumers. The one thing that strikes me above all others as I meet with these people all over the country is the great importance of effective communication between the people and their government. Generally, the channels of discourse are good but sometimes - and fortunately only quite rarely - it's almost as if we were speaking a different language.

Happily, we still have a government that is fully of, by, and for the people as Lincoln described it. Yet in a few quarters there seems sometimes to be a feeling that our government is some monstrous "it." But our government is not an "it" -- our government is people -- ~~you~~ and me -- and where it is not, then people like you and me are derelict in our duty.

We as people set the policies, through our elected representatives. These policies are carried out by our employees -- the civil servants upon whose shoulders most of the burden of day-to-day government rests.

---

Address by Assistant Secretary of Agriculture George L. Mehren at the annual meeting of the Western States Meat Packers Association, San Francisco, California, February 21, 1964, 3:30 p.m. (PST)

---



We have a democratic government with both power and responsibility diffused among us all. And in its daily work, government should be regarded as a referee and an aid, not a master nor a crutch. There are, however, functions in a free society that can be borne only by government if the society is to remain free and the basic rights of the individual are to be preserved.

The increasing complexity of our economic system and perhaps of our life at large, particularly during the past 100 years, may have tended in some measure to obscure these basic facts. The changes in business structure and the increasingly national and international nature of trade have led to a more extensive government role in helping private business to insure a reasonably smooth and stable economy. The Congress has also called for protection of consumers, and there have been similar laws to assure free and open competition for all kinds of businesses. Thus, the growth of the economy has called not only for regulation but also for an increasing number of services, as well.

Now as some parts of our farm and food economy appear to be following the pattern set earlier in other industries, the Department of Agriculture finds it increasingly necessary to establish full and continuous understanding in order effectively to meet its responsibilities.

And so it seems to me that one of the first essentials is to achieve and to keep good communications between the people of this country and those they employ to carry out their public



affairs. Your organization and meetings like this one can help a great deal in this regard -- so can the newsletter that your Washington representative gets out to you each week to keep you in touch with events in government.

The Department of Agriculture is not and should not be a propaganda agency. Yet we should and we do make full disclosure of our policies and operations. We must also provide full information to make our services useful and our regulations fair. Therefore, we strive through a number of means to get out word about our role in the nation's economy, our services, our activities, and our problems. Of course, the Department owns or controls no public media, but it does make information available to radio, television, newspapers, and magazines as a means of getting agricultural information to the public. It publishes many publications, for example, so that its work may be used, and supplies information for countless private publications, textbooks, encyclopedias, dictionaries, and the like. All of this is done so that the work of the Department may be of maximum use.

A major part of our work has involved communication for many decades. Take the example of our market news service, for instance. Here is a service that was started nearly 50 years ago to carry to farmers, processors, marketers, and consumers information about price, supply, demand, and market conditions gathered by impartial government employees and disseminated in the public interest to help in the working of our competitive marketing system.

When the teletype wire came into existence, the Department leased one of these, as did other public service agencies -- and through the years, in conjunction with the States, added to its network -- so that, for example, farmers and packers in California could assess the market for their products in New York, and vice versa. As new technological developments in wire transmission and dissemination came along they were added to the USDA market news wire. Finally, last year another wrinkle was added -- one which I believe you people were interested in getting started -- a method of permitting private subscribers to hook on directly to the market news wire and so get the information that much faster.

However, there was misunderstanding in some areas of this additional element in a valuable service nearly 50 years old -- and a service basically unchanged by the extension.

This may well illustrate not only a deficiency in communications, but also perhaps a human and quite natural resistance to anything "new" -- or believed to be new. We run into this lack of information and understanding and this resistance to change quite often when we attempt to update the services the Department has carried on for many years.

This is unfortunate for a number of reasons. I am speaking now about the USDA marketing services that, along with market news, have been developed under direction or authorization of the Congress in the main over the past 50 years to aid in efficient, effective marketing of food and fiber and to safeguard

(more) USDA 546-64

the competitive conditions under which they are marketed. In connection with livestock and meat, these would include market news, statistical reports, economic analyses, standardization, grading, and the regulatory program carried out under terms of the Packers and Stockyards Act. Both the services and the regulations were developed to provide broader opportunity for fair and open competition in the profit-motivated private enterprise system we are charged to serve.

Unless these programs can somehow be kept attuned to the changing market system and structure -- and as you know this has changed profoundly in the past 15 to 20 years -- then these services will diminish in usefulness and ultimately they may no longer be provided. If this happens, it may well be at least in part because we no longer have the same kind of freely competitive market system they were designed to service or because the old services do not fit the present needs.:

A few people seem to think we are on the way toward a food and farming system where the only full-scale competition will be at the retail level, and other segments of the farm and food economy may be closely linked to -- if not actually owned and controlled by -- the retail level. We do not really know that this is true, but we should find out and we should determine by orderly and democratic process whether this is what the people of America want.

President Johnson in his farm message to Congress urged the establishment of a bipartisan commission to study and appraise the changes that have swept the marketing system for food. The Department of Agriculture believes that such an inquiry is vitally needed. And we believe that it should not be conducted in any punitive sense, or in the light of any preconceptions, but as an honest and fair search for enlightenment and for answers to some very important questions. Questions such as: What changes actually have occurred in the dimensions and business relationships of food and farm outlets, companies, markets, channels, and methods of operation? What will these industries be like in the future if present trends continue? What kind of food marketing system do we really want? We believe that industry, government, and consumers would join together in the search for answers to these questions, and that each would stand to gain.

One of the areas we would hope such an inquiry would throw light on is that of the governmental services to marketing that I have been talking about. These are services and regulations that, as I said, were designed to service a market economy. We are confident that they have aided immensely in the marketing progress that this country has achieved -- and in protecting the rights of individuals and firms to compete in the market place. The Department has always adjusted its programs to change in products or processes or markets. But we are not



fully confident that every one of these services and regulations is adequate for present and future policy goals, in the kind of setting that has evolved.

This Association has long been one of the strongest supporters -- and users -- of the meat grading service. Many believe that consumer acceptance and favor of Government-graded beef has been one of the important catalysts in altering the competitive balance of forces in the meat packing industry. At any rate, this is one of the marketing industries in which concentration has decreased rather than increased over the past 20 years. In the pre-war years, the top four packers of the nation accounted for 44 to 52 percent of total commercial slaughter of cattle, but by 1962 their share had dropped to 26.4 percent.

And in the meantime, of course, an important change was taking place in the retail trade, with the growth of large supermarkets, often linked together in procurement and merchandising through both corporate and voluntary organizations. These central-buying organizations now do almost 90 percent of the total trade. At the same time, more than 130,000 retail stores were closed in the past decade. We know that American free competition means change, but it is vitally necessary that we understand causes and effects and likely future outcome.

At least as some see it, the growth of an individual store may now come at least in part at the expense of a competitive

store with similar characteristics rather than at the expense of a different method of food distribution. In some areas, it is claimed, the number of retail outlets has been growing faster than population -- and such over-storing may threaten seriously to reduce efficiency if volume per store is reduced markedly. But in addition, it is claimed also that this could bring added pressures to the procurement activities of these stores and perhaps also on long-term financing. Such situations would necessarily affect processors, packers, producers, and other sellers who could find competition at their level sharpened because of maladjustment elsewhere.

In any case, there is no reason to expect any lessening in the quality specifications of meat procurement. And it is this, I think, that in large part lends a tone of bitterness to the debate over revising beef grades. It is not so much a question of the need for grades. Everyone knows that selection must now take place before beef reaches the consumer -- and many retailers will want to select on even narrower lines than Federal grades.

The real crux of the matter -- and an entirely proper business question -- is who is to get the benefit of this selection? It is, in essence, the same issue as the so-called battle of the brands -- if brand-naming helps sales and net receipts, who is to get the benefit, the processor or the retailer?

But official grade standards also are designed to provide a direction-giving function in marketing. Grade distinctions become quality-control or production-guiding signals to producers only if price premiums or discounts carry back to them. In this respect, market firms that are reluctant to transmit such signals as price differences for different qualities of products are displaying something less than long range vision. As a disinterested "third party" the Department of Agriculture strives to make effective grades available for voluntary use in line with its statutory mission to promote a more efficient and more equitable marketing system.

The search for stable quality and supply of farm products has been held to be one of the underlying causes for the trend toward coordinated marketing. Nevertheless, insofar as a merchant finds it unnecessary to tie up supplies in advance in order to be sure of them, he can also find increased efficiency. A more precise, more informative grading system is, we believe, a step toward this important objective.

I think that all of us must, these days, look at the long-run issues -- try to see what effect the practices and pressures of today may have on the marketing system of tomorrow -- and whether or not this is the direction in which we wish to go.

This is also the central issue in the regulatory program the Department administers under the Packers and Stockyards Act. The challenge here is to keep trade practice regulations adjusted

to present needs -- in an era of accelerating change in markets, channels and methods of doing business.

Moreover, the Department's assignment under terms of the P&S Act to maintain free and open, but fair, competition in the marketing of livestock, meat, and poultry is as broad-gauged as assignment as exists in any department of government with regard to any industry. The Congress has set the rules and it has charged the Department to provide their operating frame.

The greater part of the American food business rests on trading with faith in the honesty and fairness of traders. Most people are honest and fair. But there must be rules and there must be enforcement, or we cannot operate on the basis of faith and honesty.

The P&S Act involves not only supervision of public markets but, since the 1958 amendment, the responsibility for extending the same competitive safeguards to any interstate transactions in livestock.

I know that you are familiar with the code of ethics this statute provides the meat packing industry and I commend you and your association for your strong support of effective enforcement of these regulations.

Some of the areas of meat merchandising in which you have pressed for regulatory action have become the subject of



investigation and, in some cases, litigation. In some of these areas, we all know that we are blazing new trails. We are operating by law as we should -- and above all else we shall always assure due process to every affected interest.

Regulation is never a popular activity, but as we noted earlier, it becomes increasingly necessary as our economy becomes more complex and it undergoes structural change. Moreover, without rules we could not have built the American economy, nor assured its freedom.

In the case of the P&S Act, as with most of our anti-trust and regulatory laws, the law was framed by Congress in language sufficiently broad to provide the flexibility necessary for adaptation to changing conditions. Thus there is a difficult responsibility on the regulatory agency to accommodate the law to current needs. But making such adaptations today requires substantially improved methods of economic investigation and analysis and more refined use of such economic indicators as changes in market structures, the behavior or conduct of the participants in a market, and the performance of the market. And, as in all regulation, the essential adaptation to change must not impair the basic rights of any citizen or unnecessarily limit the freedom of business decision.

To meet this need, we have assembled a small staff of economists within the Packers and Stockyards Division. And we are hopeful, also, that the bipartisan commission the

President called for will be established and will be able to provide guidelines in the broader area involving adjustments yet to come.

For, let me stress, we have no wish to arrogate to ourselves the decision as to what kind of marketing system we should have. We think that this is a matter of public policy -- that public policy will have to be defined as it is always defined in this nation -- and that this is a matter for all citizens, for farmers, businessmen, and consumers, as well as government.

I think, most sincerely, that we must have fuller information and understanding of the issues at stake. And here, as I said at the outset, we run into the difficult problem of communications.

One move that we made during the past year in an effort to meet this problem was to set up a Packers and Stockyards Advisory Committee. Members of this committee comprise people engaged in all phases of livestock and meat production and marketing -- producers, feeders, market operators, dealers, packers, and retailers. Your own Abe Guss is one of the members.

The first meeting of this group was held last May and we hope to schedule another one soon. We think that such conferences can be very helpful in improving communications between the different segments of the industry as well as between them

and the Department of Agriculture. I have read the minutes of the first meeting, and I have never seen a more penetrating analysis of changes in the livestock and meat industries.

Secretary Freeman has also moved recently to establish a permanent cattle and beef committee, following two recent informal sessions which he called to consider what might be done to alleviate current price problems in the beef cattle industry. This move, too, is in the direction of broadening the base of understanding and improving communications in this vital area of our farm and food economy.

There are, of course, severe differences of opinion on foreign trade policy. But we are gratified that Australia and New Zealand have signed an agreement with the United States, the effect of which will be to stabilize the flow of meat imports into this country. Under this arrangement, Australia has agreed to limit its exports in 1964 to 542 million pounds, and New Zealand has agreed to a limit of 231 million pounds. The effect of this will be a 6 percent reduction below the 1963 level. Further, Australia and New Zealand have agreed to limit their access to the growing American market to an increase of less than 4 percent a year in 1965 and 1966. By this means, we have tried to maintain our policy of market access and yet to provide stability for our meat industry.

As we get together at these sessions -- and at meetings like this one today -- the illusion that public and private interests are wholly separate and apart from each other tends to disappear. And we are on the way to the kind of dialogue that President Kennedy said so often that we need in the context of a rapidly changing economy, country, and world.

At Yale University in 1962, Mr. Kennedy made a statement that I think is as practical a guideline as we might find. He said, "What is at stake in our economic decisions today is not some grand warfare of rival ideologies which will sweep the country with passion but the practical management of a modern economy. What we need are not labels and cliches, but more basic discussions of the sophisticated and technical question involved in keeping a great economic machinery moving ahead."

You people here today who are leaders in your industry are among those upon whom this responsibility falls. For the job of communicating with the public -- a public that already sees and hears many words -- cannot be done by simply releasing more information.

To communicate requires understanding. Communication means to give form and structure to information -- to place it in meaningful perspective -- reveal its significance. Information may then become good judgment -- good goals, reasoned analysis and consistent action.

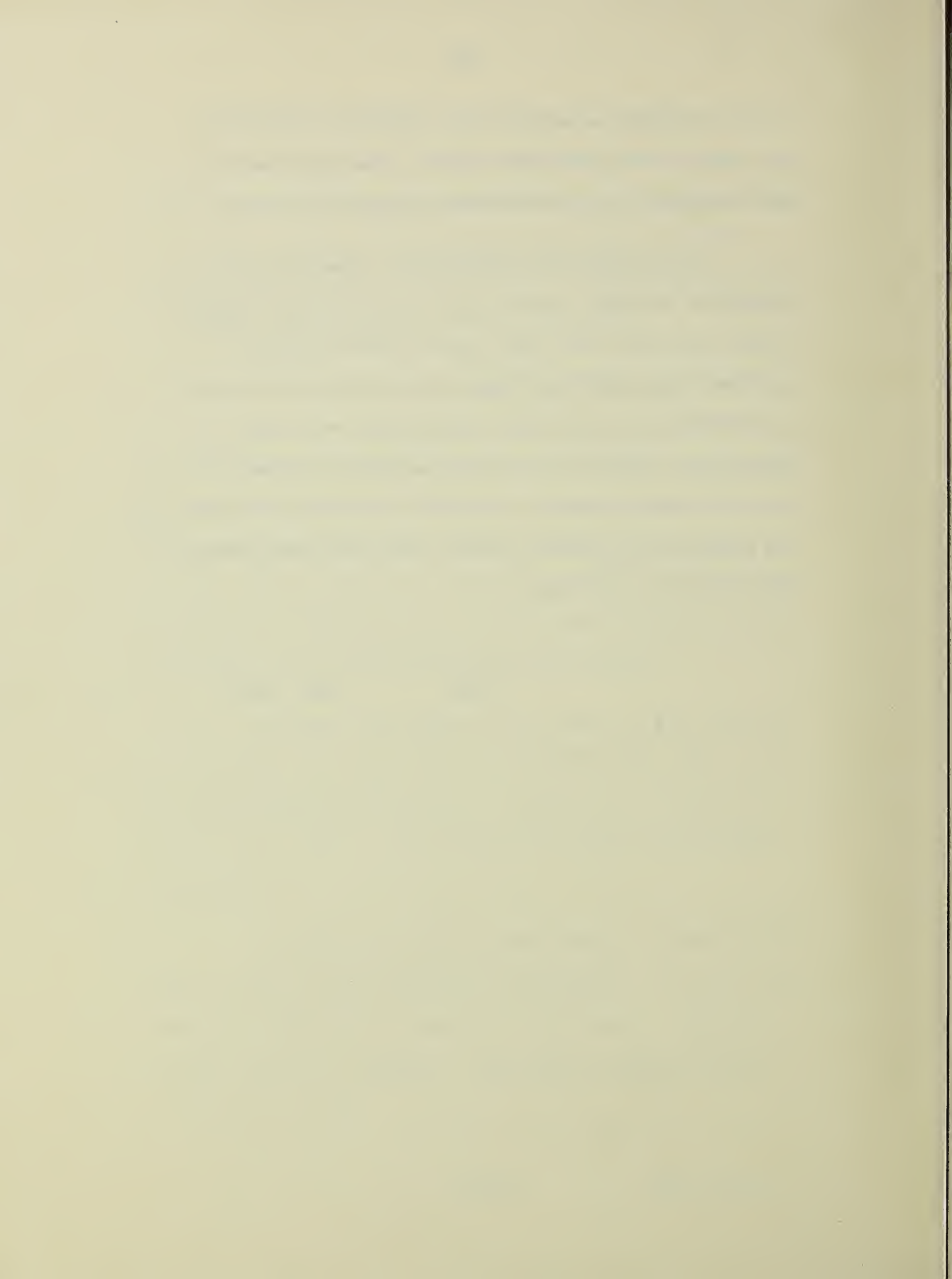


This may be asking a lot -- but it is I think that this task is a responsibility which in a democratic society must be shared by both governmental and private interests.

If our cherished institutions -- among them our competitive enterprise system -- are to continue, all elements of this nation must meet their proper responsibilities -- government to provide those regulations and services that can be provided only by government to give form, order, and propriety of conduct to our affairs and private interests to provide the public opinion, the morality that molds the government, the enterprise and the work that has made this nation what it is. And it is a good nation.

#####

USDA 546-64



CATTLEMEN, COMPETITION, AND THE USDA

280.39  
M472  
Feb. 6, 1964  
cap 2

It's a pleasure to come here and speak to this group of cattle people. On the basis of past performance, you have every reason for pride and optimism. The record of beef cattle is a distinguished one -- it is one of the great success stories of United States agriculture in the past generation.

Once there was a businessman who had a reputation for optimism, but nevertheless went around with a worried look. Someone asked why he looked so worried. "Well, to tell you the truth," he said, "I'm worried about my optimism."

I don't think cattle feeders need be too worried about their optimism. Right at the moment, and quite properly, they might be more concerned about pessimism. On the whole, though, people in this business are realists. You have your problems, and serious problems, to be sure. They are not problems incapable of solution, but they are not simple or one-sentence problems and there are no simple or one-sentence solutions.

It is only human nature for every one of us -- in government or out -- to wish for easy answers to hard questions and perhaps sometimes to seek out a villain on whom we can blame our troubles. To some, it

---

Address by Assistant Secretary of Agriculture George L. Mehren, at the annual meeting of the Colorado Cattle Feeders Association, Brown Palace Hotel, Denver, Colorado, Thursday, February 6, 1964, 10:15 a.m. (CST).

---

seems as if cutting back beef imports would solve all price problems for the beef cattle business or "getting the government out" would permit the law of supply and demand to keep competition flourishing, thus solving all marketing problems.

I know that the realists here today are aware that beef imports, while important, are but one part of the complex problem of price -- and that without some degree of government responsibility for fair and open competition, your freedom to compete in the market would be gravely endangered.

As every realist also knows, the very abstract concept of the "free market" eulogized in song, story, and nostalgic, not to say romantic, economics of the elementary textbook has long since ceased to exist -- if indeed, it ever did exist as the textbook once defined it. What we have, in our current "mixed" economy is a different and very valuable free market protected and guarded by regulations and rules of trade designed to assure honest, fair and open competition. And while there is a vital kind of competition in agriculture, and in labor it is still not the simple and abstract concept of the books.

It is in this setting of factual life that we must try to analyze and find answers to problems besetting our farm and food economy. The fact of the matter is that parts of the marketing system for farm products today has come closely to resemble that of other industries.

(more)



Marketing is no longer a subordinate and separate sector of the food economy concerned merely with trading and transporting farm products. Where marketing once was thought of as just an aspect of farm production, it is now more nearly correct (as a Notre Dame professor pointed out recently) to think of production and marketing as integral phases of a single process.

Marketing has expanded enormously not only in size and volume but also in the range of its functions. It has taken over many of the functions once performed on the farm and an even greater number that formerly took place in the kitchen. Foods are not only processed and packaged, they are even pre-cooked. They are distributed from one end of the nation to the other and stored from season to season so that we can eat almost the same in February as in August.

The transformation has been not only physical -- in size and function -- it has been economic as well. If many parts of our food marketing system have assumed many of the characteristics of other industries in size and structure, it has also assumed similar characteristics in operation, often including mass merchandising techniques and specification buying. It requires huge supplies of assured and uniform quality and it requires them regularly and dependably. Thus in many commodities there has developed a close-knit coordination between all the previously independent and separate parts of the system -- all the way back to the farm.

(more)

It is said that the search for more uniform quality and more steady supply of farm products has been a big underlying cause for the trend toward contractual marketing and other forms of vertical integration. Through it, firms try to stabilize and standardize their supply of raw products just as many nonfarm industries do theirs.

This is a departure -- and a radical one -- from the market exchange system which we are accustomed to thinking of as the farm marketing system, in which products literally change hands and values are arrived at through price bargaining among fully separate traders. It is not that the older system of clearly recognizable stages of marketing -- from farm to market to processor to wholesaler to retailer -- is disappearing from sight. It is still very much in use. But the newer system is growing up alongside and in some commodities it may very well, in time, practically replace the older system.

At any rate, economists now foresee intensive competition as occurring between whole systems of marketing as well as between individual firms. They see evidences of this pattern today in conflicts between rail and truck transportation, between distributors and packers, between direct marketing and terminal markets, and between national brands and private brands.

I do not mean to imply that all or perhaps even any of this is bad. This is a descriptive and not analytical or normative statement.

(more)

These developments may well have come about largely because technical development, mass demand, and rising levels of living called for them. They have contributed greatly to efficiencies in marketing and have helped to make it possible for American consumers to enjoy the widest choice of the best food, for the smallest percentage of their income, of any people, anywhere and at any time. Moreover, many of these accomplishments would hardly have been possible without the services provided by the Department of Agriculture.

But certainly it is all very different from what it was not so long ago. And our information about many of the new enterprises, outlets, markets, channels, and methods is really quite scanty. We face many unanswered questions as to the direction in which these changes may be leading and as to their ultimate effect on our farm and food economy.

Most of the marketing services and regulatory programs of the Department and the States, for instance, were developed in the setting of 20, 30, even 40 years ago. While they are continuously being adapted to changes that come along, we nevertheless still face difficult questions at least about some of them -- as to their adequacy in the newer system.

In the past 15 years, the livestock and meat industries, too, and particularly the cattle and beef segments, have gone through a dramatic transition. The growth of large scale commercial feeding operations has been rapid.

(more)



Plants slaughtering cattle, as well as other livestock, have relocated from heavily populated metropolitan areas to points closer to principal livestock-producing areas. Improved transportation and refrigeration facilities, variation in labor rates between regions, along with lower costs of transporting carcasses as opposed to livestock, have all influenced this change.

Western and West North Central regions of the country have gained as areas of cattle slaughter, while regional shifts in the human population have widened the mileage spread between primary consumption areas and the major production regions.

And while cattle slaughtering operations were moving to production areas, they also were increasing in number -- from 383 federally inspected plants in 1950, to 489 in 1962. Coincident with this trend has been a decline in the proportion of total cattle slaughtered by major packing companies. In the pre-war years, the top four packers accounted for 44 to 52 percent of total commercial slaughter of cattle. By 1950 their share had dropped to 37 percent and by 1962 to 26.4 percent. Consumer acceptance and favor of Government-graded beef is commonly accepted as one of the important catalysts in altering the competitive balance of forces in the cattle slaughter industry.

However, while the meat-packing industry has been decentralizing geographically and becoming less concentrated from an economic standpoint, the retailing industry has become more centralized and more concentrated. This has been paralleled and influenced by the clustering



of population and disposable per capita income in the various areas of the country. In 1960, some 70 percent of food sales were made in 281 of the country's 3,072 counties.

In line with this, one trade source estimates that in 1962 just 50,000 stores -- that is, individual stores, both chain and independent -- accounted for 80 percent of the food distribution in the United States. This same source estimates about 1,500 buying offices supply the outlets which account for this 80 percent of retail food distribution.

Now with a greater number of cattle slaughterers servicing fewer, but larger, retail purchasers, each transaction becomes more influential in dictating the profit and loss situation of a packer because of the volume involved. On the other side of the coin, each purchase is equally important for the supermarket operation, since meat and perhaps especially beef is the critical factor that often determines the success or failure of individual stores.

If a packer's operations are geared primarily to filling the specifications of one or a few large outlets, he is going to conduct a different kind of operation than he used to. He will no longer find it feasible to sort out carcasses in his cooler for his trade and neither can his customer. He will do most of the sorting through his purchasing of live animals. He will buy only those he thinks will fit the quality and weight requirements of his customers. Thus may occur one of the phenomena of our modern marketing system -- at least one of the expected

(more)

effects of vertical integration without any captive or contractual arrangement having taken place.

Indications are that retailers will place more and more emphasis on precision marketing. Given the margins of profit on which they operate, their efforts to differentiate the products they sell, and the intense competition between them, this would seem inevitable. Efforts for further automation will lend emphasis and urgency to the quest for precision.

This, then, is the real significance to Department of Agriculture efforts to refine its grading system for beef. It is an attempt to meet the needs of present-day marketing -- toward more precision, greater refinement. As such, it is a step in the direction that marketing is definitely going. It is a proposal that unbiased grading by a public agency be made available to those who prefer it to the standards of processor or distributor -- and it is voluntary. Individuals and groups have had ample opportunity to submit their views, and their views will be considered.

Unless such refinements are made as the need is seen, the grading system will become an ineffective marketing tool and the open market system of which it is a part may even be by-passed. Grade standards for various food products have, in fact, proved extremely useful to mass merchandisers in obtaining the large supplies of reliable quality products that they need. Nevertheless, the original purpose of grades developed and issued by the Department of Agriculture was to signal

(more)

farmers as to the qualities and kinds desired by consumers and to aid them in obtaining fair market value for their products. They still serve that basic purpose and will continue to do so -- but only if they are kept attuned to the needs of the market, and thus remain useful.

Despite changes in the marketing system, we still expect it to perform the same primary functions. It still exchanges ownership. And it is still the seat of the vital price-making, the product-allocating, and production-guiding functions of a competitive market economy.

Services such as grading and market news are, of course, designed to facilitate those market objectives. But the Department of Agriculture has another broad responsibility in regard to the marketing of livestock and meat. Under terms of the Packers and Stockyards Act, we are charged with maintaining free and fair competition.

The Act prohibits practices which restrict competition, control or manipulate prices, control the flow of livestock, result in monopolies, or which are unfair, deceptive, or unjustly discriminatory.

Everybody agrees with these principles. The difficulties arise when it comes to application. Which practices are unfair -- which will restrict competition or control prices? Moreover, do some practices considered fair, or at least harmless, in the marketing system of yesterday take on a different significance when viewed in today's setting?

(more)

These are vital questions -- ones to which we are diligently seeking answers -- and seeking your help as we do so, for answers must be developed responsibly and with full understanding of how the interests of each segment of the industry are affected.

It was for this purpose that last year we established a Packers and Stockyards Livestock Committee comprising representatives of every level, from producer through to retailer. At the first meeting of this group, last May, one of the principal items discussed was the desirability of prompt payment for livestock. As a result of the interest shown, we went ahead with the development of an amendment to the regulations. This proposal has recently been before you for comment and final action is now pending.

And let me just note here that the Department has no interest and no intention of imposing any sort of "controls" on the livestock industry, in the commonly accepted meaning of that term, as some seem to fear. We see, on the contrary, a considerable advantage to maintaining a beef industry that keep its own house in order without any governmental help other than the kinds that we have traditionally provided.

The Department has recently moved to establish a Cattle Advisory Committee, on a permanent basis, following two recent meetings of an informal group called together by Secretary Freeman to consider the whole broad matter of the cattle situation, including the growing domestic production of beef and the rising volume of imports.

(more)



At these meetings, we reviewed the price problems that have been plaguing cattlemen -- the possible reasons for them, and what courses of action might be followed in dealing with them. And when I say "we" -- I mean that both sides talked and both sides listened.

We all recognized the fact that supplies of cattle will continue to be large through the present cyclical expansion. The overall average level of cattle prices will, of course, be directly influenced by the amount of beef and veal slaughtered.

Price is, however, a complex matter, as we noted earlier, and in today's market setting it can be more perplexing than ever. Nevertheless, with the sharp upturn in beef supplies, coupled with big increases in competing products and increases in total imports, it is not too surprising that we saw last year average reductions of \$3 to \$4 in the price of fed cattle, as compared to the previous year.

Cattlemen watching live animal prices nosedive always become sensitive as to whether prices of beef at retail stores quickly follow suit. And well they should. When supplies increase at live animal and wholesale levels but retail prices are not adjusted fast enough, a back-pressure is created in slaughter channels. It can add to price distress.

Unfortunately, in these days when so much beef is sold in specials it is harder to measure comparative price trends than it used to be.

(more)

But USDA economists have watched the picture closely, and their conclusion is that while changes in retail prices have lagged behind changes in livestock prices, it has been a roughly consistent lag. Partly, this can be attributed to the time it takes to move supplies and supply increases from level to level. Retailers' preference for stable "regular" prices may enter in, too. The picture is further complicated when competing products are also in large supply as they have been all during the past year. Let me stress, however, that the Department is concerned about the spread between cattle prices and the price of beef at retail, particularly because this spread reached an all-time high in 1963.

In 1963, not only did beef and veal production reach an all-time high, so did broiler production, and pork production was larger than in any previous year since 1944. Total/<sup>commercial</sup>meat production, including poultry, for the year, stood at 36.8 billion pounds -- almost 2 billion pounds over 1962 production.

Had it not been for a decline in lamb and mutton production last year, our total domestic meat production would have been even larger, for beef production alone increased by about 1.1 billion pounds over the 1962 level -- an increase of more than 7 percent. This increase represented both greater numbers and heavier weights at which cattle were marketed.

Even if we had had no beef imports at all, it seems certain that beef cattle prices last year would have evidenced some distress.

(more)

But, of course, there were imports -- and they, too, were at record levels. A large part of these imports do not compete directly with our domestic fed beef -- they are mostly cow beef, or beef of comparable quality, that usually ends up in manufactured meat products. But they do nevertheless have an effect not only on domestic cow prices but also on the price of higher quality meat. And of course some of these imports are of primal cost which compete directly with fed beef.

Cattlemen have been greatly concerned about the rising tide of beef imports into this country, as they should be, but have perhaps only naturally tended somewhat to overestimate the effect on their markets. Clearly there is an important effect -- but it is not the whole answer to the price problem, as I think, on reflection, we all realize.

The Department of Agriculture and the Administration have recognized the seriousness of the situation and are making every effort to bring about improvement.

We are presently moving on three fronts. One, the Tariff Commission is conducting a review, at the direction of Congress, on the beef import situation. It has scheduled hearings and is due to make its report by June 1.

Two, we are working toward the upcoming Kennedy round of negotiations on trade agreements, to be held in Geneva next spring. In preparation

(more)

for this, hearings were held in December before the Tariff Commission and the Trade Information Committee on a "public list" of products to be considered for possible reductions in rates of duty. This included virtually all farm products. The final "offer list," which is the list of items on which the United States will negotiate, will be based on evidence presented at those hearings, plus other available information.

It should also be noted that practically all industrial products are on the list of items on which tariff negotiations are to be conducted. By presenting this "package" at the negotiating table, we have more than a passing hope that we will be able to gain concessions from other countries for our agricultural products. This effort is of major importance to our whole agricultural economy, for as you know we are now exporting some \$5 billion worth of products and hope this year to raise the total to \$6 billion. Should we instead be faced with increased tariffs and added non-tariff barriers, our whole agriculture would suffer real hardship.

Let me point out here that the United States does not view the forthcoming tariff negotiations purely as a tariff-cutting exercise. Tariff cutting is only a means to an end, which is trade expansion. And there may be other means to that end, such as commodity arrangements. We are also working with the GATT Meats Group in an attempt to get other countries to open their markets to meat exporters -- an effort which, if successful, could go far toward taking the import burden off the U. S. economy.

(more)



Third, we are negotiating directly with major meat exporting countries to secure voluntary agreements from them to limit their exports to this country. We have received favorable responses from them. They recognize that recent large increases in imports present a problem to the U. S. industry and have indicated their willingness to agree to some form of limitation. This is our best hope for quick action and immediate benefits for the beef cattle industry. Terms of such an agreement remain to be negotiated. Offers of the exporting countries to submit to limitations have been made without the promise of concessions from this country of any sort. So we should not expect any miracles -- perhaps a standpat or at most a mild cutback is the best we can hope for. Australia, for example, has flatly refused to consider cutting back to the 1958-62 level.

However, let me stress, we are working very hard to negotiate an agreement that it is at least acceptable to the industry. We will be keeping in close contact with you people on this, through the cattle advisory group and other avenues.

I know that the realists in the beef cattle industry are not looking for miracles. They know that trade is a two-way street and that exports of farm products -- even of livestock products -- are of vital importance to this country. But they expect and are entitled to some relief -- and we do not intend that United States shall remain the only country in the world which accepts beef imports on an open basis.

(more)

In this, as in other matters affecting it, the economic well-being of the livestock and meat industry is of deep concern to the Department of Agriculture. As a most important sector of our whole national economy, it is also, or should be, of concern to every person in this country.

Your wish for a free, vigorous, and prosperous industry is no stronger than that of the Government. Working together with a spirit of fairness, understanding, and confidence in the good faith of each other, I am positive we will achieve it.

- - - - -

U. S. DEPT. OF AGRICULTURE  
NATIONAL AGRICULTURAL LIBRARY  
APR 7 - 1964  
C & R 45F

FEB 18 1964

C & R-ASF

THE CASE FOR FRUITS AND VEGETABLES

A280.39  
M472  
Jan. 28, 1964  
cop. 2

"If you want to know what revolution is," said Victor Hugo, "call it progress; if you want to understand what progress is, call it tomorrow."

People in the fresh fruit and vegetable industry know what revolution is -- it is what they have been experiencing for at least the past 20 years. The revolution hasn't been confined to the fruit and vegetable business, of course. It has pervaded every area of our lives -- from communications to transportation to our relationships with the rest of the world.

To be sure, change has been going on since the dawn of time. Eve is reputed to have said to Adam as they left the Garden of Eden, "My dear, we live in an age of transition." But what marks our own age is the accelerating speed of change. Changes that once would have taken a generation now occur in a few years.

Consequently, it is indeed difficult to assimilate, adjust to -- even to recognize and accept -- these changes that are so rapidly taking place. I think that this is particularly true in regard to the changing structure and operation of food marketing. We have grown accustomed to the corporate structure and the mass production and

---

Address by Assistant Secretary of Agriculture, George L. Mehren at the 60th annual convention of the United Fresh Fruit and Vegetable Association, in Miami, Florida, January 28, 1964, 10:00 am (EST)

---



distribution of industrial products -- but it still is hard to realize that the food industry has taken on many of the same characteristics.

That is why at meetings like this one it is very useful to take a fresh look at the state of things today -- and to discuss what must be done to keep pace with the age in which we live.

This seems an appropriate time and place, at this 60th annual meeting of the United Fresh Fruit and Vegetable Association. Surely, no organization could be more widely representative of a great segment of the farm and food business -- one which serves the American people well and makes a significant contribution to the good life we enjoy in this country.

As a Californian and as one with a long association with the fruit and vegetable industry, I must admit to an especially warm regard and respect for the people who undertake the risky business of growing and marketing fresh fruits and vegetables. The hazards you encounter and the terrific pace of this industry would make the hair of anyone in another line of business stand on end.

I'm sure that my feelings are shared by most of the other people who work at the Department of Agriculture, too. We enjoy a fine cooperative relationship with this association and with this industry. It's a pleasure to add that I'm sure you have a similar appreciation of the dedicated Department people who work with you and of the many and varied Department services that you make use of every day -- and without which I believe your industry -- and in fact the whole national

(more)

USDA 182-64



food business -- would hardly have achieved its present level of progress. This is a level of progress, as you know, unmatched throughout the world.

This very progress, however, has brought with it problems for you and for other segments of the farm and food economy that are real and that are pressing. They relate to such broad social and economic forces as population growth, rising levels of living, increased urbanization, mechanization, and automation, and changes in consumers' tastes.

More specific factors of change in your industry have included shifts in production areas, larger and more specialized production units, new and improved varieties of crops, improved technology in production and processing, more rapid and efficient communication facilities, faster and more dependable transportation, the rise of the supermarket form of retailing, and the interrelated trends toward more direct purchasing, split and mixed loads, and so on, fewer and larger firms at every level of marketing, together with quite different relationships and terms of transfer between producers, packers, and distributors.

But the one factor of change that is most distinguishable in the fresh fruit and vegetable business -- whether we like to admit it or not -- is the slow rate of growth of its total market. In the past 25 years, the total volume of fresh fruits and vegetables handled by the marketing system grew 12 percent -- less than half of 1 percent a year. In comparison, during the same period population grew 35 percent, real income 143 percent, and the consumption of all foods 53 percent.

(more)

USDA 182-64

We all know the reason for this -- primarily the shift to the processed forms -- although annual per capita consumption of all forms of fruits and vegetables has declined slightly during the post-war years. Consumers' preferences for convenience foods -- and for the highly stable quality that has been achieved in most of those foods -- are usually held to be the reason behind this shift, along with increasing income that leads to increasing discrimination in purchasing.

It seems probable also that changes in relative prices of various food products may partly explain why we have not seen a growth in the over-all per capita consumption of fruits and vegetables in the past 15 years. As you may know, retail prices of fresh fruits averaged 43 percent higher in 1962 than in the 1947-49 period, and retail prices of fresh vegetables were up 35 percent. Processed fruits and vegetables showed a smaller rise -- 17 percent. But, during that same period, retail prices of all farm-originated foods increased only 14 percent.

There are, of course, good and sufficient reasons for this, but I believe that corrective forces are already under way. There seems to be potential for reduction in production costs through development and adoption of mechanical harvesting equipment -- an area far more difficult for the fruit and vegetable industry than for many other agricultural industries in the U. S. The rising cost and seeming shortage of harvesting labor will probably accelerate this development.

(more)

USDA 182-64

Because of the bulkiness and perishability of fresh fruits and vegetables, transportation costs per hundredweight are higher than for most other farm products. Research by USDA and others is seeking out ways of offsetting these costs -- among them streamlined handling and packing methods, more production-point trimming and packaging, better packaging materials, better control of spoilage so that less waste is shipped, and so on.

Packaging costs are being reduced as this function increasingly moves from the store level to production points and to the wholesale level. Some of our researchers estimate that by 1970, 60 to 75 percent of all produce will be packaged before reaching the retailer.

It seems to me, moreover, that the total outlook for the fresh fruit and vegetable business is far from gloomy. First, you have a product that is unique. For many peoples there is no real substitute for the real thing at its best -- delicious, clean, and truly fresh fruits and vegetables.

The supermarkets know it -- they use fresh produce as one of their most compelling traffic builders. The housewife knows it -- that's why the supermarket can appeal to her through its produce department.

Second, there is the highly important factor of population growth. We are now over the 190 million mark, and the Census Bureau's latest projection calls for our population to reach 245 million by 1980, about 30 percent over the present number. This means that there



will be about 55 million more people consuming an average of about 1400 pounds of food a year. In this regard, an item of some importance is that beginning in the late 60's, the projected population will have a sizeable increase in the 15-to 19-year old age group. This group is expected to increase 50 percent, which means about 9 million more teenagers than we have today. Anybody with teenagers in the house knows what this means in the way of food consumption.

Maintaining or increasing our exports of fruits and vegetables presents a real challenge -- but we are working, as you know, toward reducing non-tariff barriers and also on improvements in techniques to cut transport costs and maintain quality. Exciting developments lie ahead in this latter field -- we saw the start of one last year, the experimental containerized shipment of grapefruit from Florida to Switzerland. This shipment went by truck, rail, ship, then by truck again -- and fruit temperatures varied not more than 3 degrees during the whole trip of almost 4,000 miles. The fruit arrived in excellent condition, with no pitting and less than 1 percent decay.

However, your greatest undeveloped market, I believe, is right here at home. Surveys have shown that most Americans don't eat recommended amounts of fruits and vegetables -- but with increasing levels of education and efforts like your own "Fresh for Health" campaign and the USDA National School Lunch Program -- which is teaching our children good dietary habits -- we can hope for improvement.

(more)

USDA 182-64



Rising incomes, too, mean more consumption of highly nutritive foods, including fruits and vegetables. This is amply demonstrated in the Food Stamp Program -- families taking part in this program are, in effect, given greater food purchasing power, and our studies show that they do increase their purchases of the protective foods.

To the extent that this Administration's "unconditional war on poverty in America" succeeds, it will of course benefit not only the fourth of our population now living at unacceptable levels -- it will benefit all of us and not least the fruit and vegetable industry.

One other thought on this subject of markets for fresh produce -- there is added opportunity for the fresh product today and in the years ahead in connection with the trend toward increasing population in the very areas where large-scale production of fruits and vegetables has been concentrated -- a trend which should somewhat reduce the transport problem.

So I think there is every reason to believe that the fresh business will continue to play a significant role in the food business if it remains alert and moves appropriately. In this dynamic, competitive business -- as I need hardly point out -- you not only have to keep pace with today -- you have to look ahead to see what's coming -- and be out there leading the parade, not bringing up the rear.

(more)

USDA 182-64

I think it was a former president of this association, Bob Berner, who said that, "In the produce business, regardless of what you are doing and how you are doing it today, you had better be doing it differently and more efficiently a year from now."

And he was right. This is one of the reasons that the services, research, regulation, and education programs conducted by the Department of Agriculture, the State universities, and others hold such significance for your industry.

I don't know if this is true, but I would hazard a guess that the Department of Agriculture does more work on and for fruits and vegetables than any other commodity. I'm sure you are familiar with a great deal of this work -- some has been done cooperatively with this association, particularly the marketing research which has helped so much to increase efficiency and cut costs through the whole marketing system.

The merchandising clinics conducted by United, for example, were developed cooperatively with USDA after the passage of the Agricultural Marketing Act of 1946 -- an act that called for bringing the same scientific approach to solving marketing problems that had been so successfully employed since 1862 in solving problems of farm production.

The marketing research now being carried on by the Department covers a remarkable range -- especially considering the small staff of scientists, engineers, and technicians employed.

(more)

USDA 182-64

Incidentally, there is an excellent piece on our market quality research in your 1964 United yearbook. We appreciate your interest -- and we especially want to compliment your competent executive vice-president, Alan Rains, and his fine Washington staff.

Our marketing research, as I said, covers a wide area. It includes designing badly needed new wholesale facilities for our major cities -- and it includes basic research into the very nature of living tissue. Who knows? These scientists may one day unlock the secret of cell life -- discover why and how fruits and vegetables age and decay. Think of the possibilities!

Experiments are presently being conducted to test the feasibility of preserving fresh produce by radiation. This may have far-reaching results for your industry.

Instrumentation work holds promise for the near future, too. With machines that can judge color, feel ripeness, and look inside fruits and vegetables to spot hidden defects there is vast potential for quality control and cost cutting.

Other aspects of marketing research have developed -- and are developing -- more efficient, less costly work methods in wholesaling and retailing; better ways of handling and transporting produce; insect control methods; various ways to extend the market life of fruits and vegetables -- including work on antibiotics, packaging, and

(more)

USDA 182-64



temperature and humidity controls. Despite the many fine accomplishments of marketing research so far, this work is really still in its infancy -- I think we can expect great things from it in the future.

There is scarcely time to outline all of the Department services -- though I would like to, because too few people know about them. But I am sure that many of you here know about the immense amount of production research -- cultivation and conservation methods and equipment; insect, disease, and weed control; harvesting and handling operations and equipment; breeding and genetics, variety evaluation, and so on. Nutrition and consumer and industrial research -- and economic research, together with a staggering amount of statistical reporting -- outlook and situation reports, crop reports, intentions to plant reports -- all of these, too, are centered in the Department of Agriculture although the States and private organizations and individuals contribute, too. They are all services sought by farmers, industry, and consumers and provided at the direction of the Congress to meet demonstrated needs. And they are in line with our long time policy for agriculture in this country -- that is, to assure plentiful supplies of farm products at reasonable costs.

So, too, are the marketing services of the Department -- services designed to smooth the flow of products from farm to consumer, and reduce the cost, and at the same time preserve the equity of all participants and safeguard our traditions of free enterprise and fair competition.



These are the services many of you use every day -- the nationwide market news system which gathers and disseminates up-to-the-minute information on prices and supplies; the nationally uniform standards of quality for all important farm products; the grading and inspection services which provide official certification of quality and wholesomeness; the regulatory programs, such as that represented by the Perishable Agricultural Commodities Act, which protect against unfair trading practices; and a number of others, including the marketing research I mentioned a minute ago and the food distribution programs which include school lunch, donation of surplus foods to the needy and to institutions, and the Plentiful Foods Program which helps many times to move your products through the normal channels of trade when they are in temporary excess supply.

Today, many of these services are challenged -- as all of us are -- to keep pace with sharp changes in production and marketing practices. Take the matter of grade standards, for instance. If they are going to continue to provide the common language of trade, they must reflect the needs of today's marketing system. Very often -- given the requirements of mass merchandising -- this means tightening up -- more specific, more precise standards in line with consumer demand for high quality and the efforts of distributors to meet that demand.

And I might add that truly realistic standards are a first essential if we are to retain and improve our export trade. Unless our standards are acceptable to other countries, we are going to find ourselves attempting to meet theirs. Various attempts to devise international standards are now underway, and we would hope that our

standards could serve as the model -- they should be good enough to serve as the model.

However, when proposals to change and modernize standards are put forth, we very often do not hear from those of you who do recognize this need and are for it. We do hear quite often from those who are against it. And I can tell you that it is very difficult, if not impossible, to move ahead and make the modifications we know must be made if our services are to remain useful to you, without some indications of active support.

I might extend this remark to apply to the other marketing services, too. I am afraid that the people who use them every day -- rely upon them as an integral part of their business operation -- tend to take them completely for granted. The rest of the population doesn't even know about them. But, I would remind you, these services exist because you or other users asked for them. They may cease to exist unless you continue to ask for them -- use them -- let it be known that you use them -- and work with us toward modernizing them in keeping with the needs of all segments of the trade, from the farmer through to the consumer.

This requires, of course, a broad understanding of these needs and an effort to work together for the common good and with a common purpose of selling more of your product to the consumer, rather than each looking no further than his own segmented interests.

(more)

USDA 182-64

"Fools fight -- smart men make money," a sage named Bernie Imming said the other day. He was referring to the significant meeting on which Mr. Rains has just reported to you -- the three-day conference scheduled to be held in Phoenix next March when representatives of the retail chains and representatives of United will get together and air those points of difficulty in trading which for years have been kept hidden from sight. I'm told that even in the exploratory meetings which preceded this, a great deal of progress in better understanding was achieved and relationships improved immensely.

Such efforts as this will go far toward meeting some of the problems that you struggle with from day to day. Many more such efforts are needed.

We at the Department of Agriculture, too, are taking a long, hard look at the changes that are occurring in the production and marketing of food and fiber and doing our best to see what should be done to meet them and to make sure that they are channeled in directions that will be in the public interest.

These changes -- that on the whole betoken the most advanced system of food production and marketing in the world -- confront us with many complexities and many challenges. For we are charged not only with protecting the interests of the general public -- but also of those segments of the economy that produce and distribute that abundance that is so envied throughout the world. And we are charged not only with encouraging and promoting an efficient and prosperous agricultural industry, but also an efficient, fair, honest and competitive marketing system.

(more)

USDA 182-64



We have long worked with you people in carrying out these policies and I think we can all take pride in the results to date. The American people, as we all know, are the best fed at the least real cost in the world -- and they have a quality and a variety of foods to choose from at the grocery store that simply staggers the imagination of most other peoples.

We will need to continue to work together in the future, as well, to make the adjustments that must be made -- to find new ways, or new applications of old ways, to improve the functioning of our economic system and our ideal of competitive enterprise.

This is a job which is never done -- we must work at it continually. But if we can continue to work at it in harmony -- and with mutual respect and understanding of the problems of each other and of the responsibility that each of us bears -- then I am sure you can look forward with confidence to your fair share of future markets and future progress, and we can all look forward to even greater contributions to the strength and progress of our whole free economy.

- - - - -



280.39

1472 U. S. Department of Agriculture  
Office of the Secretary

Jan. 13, 1964

Copy 2

U. S. DEPT. OF AGRICULTURE  
NATIONAL COUNCIL OF FARMER COOPERATIVES  
LIBRARY

FEB 18 1964

## AGRICULTURAL EXPORT TRADE--PROSPECTS AND PROBLEMS

C &amp; R-ASF

It is a great pleasure to take part in your annual meeting. I especially appreciate this opportunity to discuss with you a subject of vital concern to us all -- our agricultural export trade.

We have come, I think, to an important turning point with respect to our exports. In this current 1963-64 fiscal year we expect to ship about \$6.0 billion worth of food and fiber, of which \$4.2 billion will be sales for cash. Both figures will be records. But in 1964 we also will be starting new trade negotiations. These trade talks can well determine whether the records we are setting now will stand for a long time to come or whether we will push our agricultural exports to new high levels in the years that lie ahead.

We all know that we face serious problems in our international trade relations. But we have faced serious problems before -- and have come through. I am optimistic enough to believe that in our new negotiations with our trading partners we will come out again with agreements that will mean expanded trade for our agriculture.

When I say that we have faced problems before, let me remind you that we stood at a major turning point in our agricultural export trade exactly 30 years ago. The situation in 1934 actually was much more critical than it is today. Our agricultural export volume was at

---

Remarks of George L. Mehren, Assistant Secretary for Marketing and Consumer Services, U. S. Department of Agriculture, at the 35th Annual Meeting, National Council of Farmer Cooperatives, at Houston, Texas, January 13, 1964, 9:30 A.M. (CST).

---

a very low ebb. And then, as now, there was need for successful trade negotiations. That need was set forth by Cordell Hull, Franklin Delano Roosevelt's first Secretary of State, as follows:

"We have reached a point when every country must go forward both on a domestic and international program, so that the bouyancy of an expanding world prosperity will develop to sustain and promote the expansion of domestic recovery. The international aspects of such a combined program are far broader than the mere readjustment of a limited number of tariff rates in this country. It envisages, broadly speaking, that important nations throughout the world will proceed gradually but simultaneously to readjust to a more reasonable level the existing excessive tariffs, quotas, and other trade barriers, and to abandon the chief forms of discrimination...."

Passage of the Reciprocal Trade Agreements Act of 1934, which Cordell Hull had fought for, enabled the country to discard the restrictionist policies embodied in the Smoot-Hawley Act of 1930. We rapidly negotiated agreements with a number of countries to dismantle, on a reciprocal basis, barriers to trade. We have continued to move in the direction of liberal trade. The General Agreement on Tariffs and Trade (GATT), which became effective in 1947, set up trade rules for most of the world's industrialized countries and made possible general tariff negotiating rounds. Five rounds have been held; the

sixth, called the Kennedy Round, will get under way in May 1964. The Trade Expansion Act of 1962, which replaced the Reciprocal Trade Agreements Act, gives us a broader authority to liberalize trade than we have ever had before, and will be a tremendous asset when the Kennedy Round begins.

Liberal trade policies, coupled with positive market development effort, unquestionably produces results. In the fiscal years 1930-33, while the restrictive Smoot-Hawley Tariff Act was in effect, our agricultural exports had an average value of less than \$800 million annually. In the 1960-62 period, however, when we followed the much more liberal practices permitted by the Reciprocal Trade Agreements Act, exports for dollars averaged about \$3.4 billion. Even if allowance is made for the inflation that has taken place since the early 1930's, the gain has been more than 50 percent.

Today I want to talk generally about prospects and problems with respect to the Kennedy Round. I also want to discuss some of the difficulties we face in the European Economic Community, usually called the EEC or Common Market. Finally, I want to comment on recent moves of the Communist countries to buy farm products in the Free World.

#### The Kennedy Round

I'll start off by asking this question: What is the biggest problem facing us in connection with our agricultural export trade as we get ready for the Kennedy Round?



The highest hurdle ahead of us is the disposition of our trading partners to "overprotect" their agricultures. These industrialized countries, in which we hope to expand exports of wheat, feed grains, rice, poultry, and some other products, are very reluctant to open their doors wide to imported farm commodities.

Officials of foreign countries argue that they must resort to protectionism because of the serious economic and political dilemmas that confront their agricultures. They say that their relatively inefficient agricultures need to be restructured -- a process that cannot move forward in the face of competition from imported farm products. They say that their farmers need special protection because they have not shared as much as industrial workers in the new prosperity that science and technology have brought to the world. They say too that their farmers make up a sizable percentage of the work force -- and of the voting population. Votes, they point out, are important everywhere -- except, perhaps, within the Communist World.

Because of the problems they face, the industrialized countries feel that any substantial liberalization of trade in farm commodities must come about gradually. Some governments undoubtedly would like to exclude agriculture completely from trade negotiations. Others would include agriculture but only under different rules than those applying to industrial goods.

(more)

USDA 94-64



The protective trade walls the industrialized countries have built around their agricultures are high and effective. They consist of excessively high tariffs, seasonal quotas, minimum import prices, the variable import levy, and others. The variable import levy, in particular, is creating very serious trade problems for us. This nontariff barrier is arrived at by calculating the difference between the price of imported products at the frontier and a derived threshold price based on an internal target price. If the prices of imported commodities are lower than the country's established prices, the variable levy is set at a point that will bring the price of the imported products to the same price as that of domestically produced commodities. As you can see, the levy insulates the producers of a country from the competition of "outside" supplies.

What we have is a seeming impasse. We want to step up our agricultural exports. The industrialized countries appear to be moving more and more in the direction of protectionism. Sometimes, when I consider this situation, I am reminded of a song that was popular a few years ago, "It Takes Two to Tango."

But I used the expression "seeming impasse." Actually, the United States has a number of possibilities for liberalizing trade. Let me tell you about them.

(more)

USDA 94-64

First, and most important, the Trade Expansion Act of 1962 gives us a big "kit" of negotiating powers. We can make tariff cuts up to 50 percent on most imported goods, industrial as well as agricultural, in exchange for concessions that foreign countries give us. We can cut tariffs to zero on some commodities in return for similar cuts abroad. The Act also strengthens the hand of the United States in dealing with import restrictions imposed on U. S. products by foreign countries. Unquestionably, the broad authority of the Trade Expansion Act will provide many inducements for the swapping of mutually advantageous trade concessions.

Second, the United States has obtained agreement from GATT partners that agriculture will be considered with industrial products at the Kennedy Round. We feel that tariffs on farm products should be subject to the same linear cut as most industrial items. We believe that a 50-percent cut should be applied to each and every agricultural product -- unless there are circumstances with regard to a given product which require an exception to the rule.

Third, where there are circumstances in which tariff cuts cannot be made, or where the tariff is not the real barrier, the United States is definitely interested in what has come to be called "market sharing." Market sharing might be defined as a special arrangement which would give the United States or any other exporting

nation continued access to markets in importing countries or customs unions which desire to protect their agricultures with high non-tariff barriers. For example, if exporters have been supplying 15 percent of a country's annual consumption of a product in a recent representative period, exporters might ask that country to agree not to limit imports below that percentage during the period covered by the agreement. Exporters, of course, would continue to compete among themselves on this market share.

Market sharing could well bring about a reduction in the level of protection afforded an importing country by nontariff barriers comparable to the degree of liberalization achieved for products subject to direct tariff cuts. Market sharing, it should be noted, would not guarantee us a market; but it would offer the opportunity of market access.

Market sharing could be accomplished in various ways -- such as quantitative assurances, ceilings on variable levies, restrictions on the use of minimum prices, ceiling on internal price supports and deficiency payments, or a combination of these. Much would depend on the commodity involved and the participants. For many products, these agreements need not be complicated or elaborate.

For some commodities, however, fairly complicated arrangements might be required. Under the General Agreement on Tariffs and Trade, a start has been made in working out international commodity arrangements for cereals, meat, and dairy products, which are the most



likely candidates for this kind of treatment. Plans of the GATT Cereals Group are the furthest advanced, because it started operations first. The Meat Group also has made progress. The Dairy Group's work is in the very early stages. All the Groups are expected to make faster progress, however, now that the EEC has developed a common agricultural policy for the affected commodities. The Groups will get back to work in Geneva in February.

The United States is supporting work of these commodity groups, not only because we are interested in market access for U. S. exports, but also because market sharing could ease some troublesome import problems for us. I refer in particular to U. S. beef imports.

U. S. imports of beef have been rising rapidly. In 1962 imports of beef and veal totaled almost 1.5 billion pounds (carcass weight) representing about 9 percent of domestic production. Heavy imports continued in 1963 and are expected to total for the year close to 1.8 billion pounds, or over 10 percent of U. S. output. In the meantime prices of fed cattle have weakened, a circumstance that has naturally aroused concern among cattlemen. The Department of Agriculture has determined that increased domestic production of fed cattle is responsible for a big part of the price decline. At the same time, imports are having some effect on prices of fed cattle as well as on prices of utility cows and similar lower grade animals.

We are receiving this large volume of imported beef for three principal reasons. One, U. S. prices are attractive. Two, our fixed duty of 3 cents a pound is very low and we have no other restrictions



on beef imports. Three, other big beef-importing countries are restricting their imports so as to protect their own producers. So we have become Target Number One for beef and veal from Australia, New Zealand, Ireland, Mexico, Argentina, and elsewhere.

The United States, of course, cannot remain the only country in the world which accepts beef imports on an unlimited basis. We have been actively exploring new arrangements which would provide greater protection for domestic cattlemen.

Talks have begun with representatives of the countries which supply beef to the U. S. We hope that out of these discussions will come effective arrangements for sharing the U. S. beef market on a fair and equitable basis with producers in other countries.

My fourth observation about the Kennedy Round is this: The United States has set a good example for other countries when it comes to trade liberalization. Agricultural commodities not subject to production controls or other Government programs enter the United States in reasonable quantities over moderate fixed duties and without encountering any other barriers. Only a fourth of our agricultural output is protected with nontariff barriers -- a proportion smaller than that in any other country in the world. Even for the fourth of our production subject to nontariff barriers, there is a significant difference between our policies and some of those being developed abroad. Under our system, most of our domestic producers must share the burden of market regulation through acreage allocation, marketing quotas and similar programs.

(more)

USDA 94-64

Much preliminary work remains to be done before the Kennedy Round begins in May.

In the past few weeks, many individuals, representing themselves or organizations, have been appearing in public hearings with respect to a "public list" of products to be considered for possible reductions in rates of duty. Virtually all farm products are on the list. The Government has also been seeking information on reductions in duties which we should try to obtain from other nations; on nontariff barriers imposed by other nations which the United States should seek to have removed or modified; articles on which elimination, reduction, or continuance of present duties should be offered; and on other U. S. import restrictions which should be offered for modification or continuance.

Two sets of hearings have been held. U. S. Tariff Commission hearings have been limited to testimony on the economic impact that proposed changes in U. S. tariffs and nontariff barriers would have on U. S. business, labor, and agriculture. The Tariff Commission is required by law to generate views on this point on behalf of the President, before negotiations are begun. The hearings will help it make its judgments. Hearings before the Trade Information Committee -- an interagency group designated by the President to

(more)

USDA 94-64

receive the views of interested persons directly -- will focus more on the duty reductions the United States should seek to obtain from other countries and the nontariff trade barriers the United States should seek to have removed or modified.

The commodities on which the United States will negotiate will not be determined until the testimony set forth at the hearings, plus other information, has been analyzed and the President has received the views of Christian Herter, his Special Representative for Trade Negotiations, the Tariff Commission, and other agencies.

The Department of Agriculture deeply appreciates the efforts of all the individuals -- many of them representing cooperatives affiliated with the National Council of Farmer Cooperatives -- who presented testimony. Presentation of testimony may sometimes appear prosaic to those given the job of doing it -- but it is a highly important job nevertheless.

#### Recent EEC Developments

My remarks would not be complete without some comment on recent EEC developments. Last July, at a press conference, President DeGaulle stated to reporters, "It is not worth talking of the European Economic Community if it must be understood that Europe does not obtain its food essentially thanks to its own agricultural products, which can be largely sufficient."

(more)

USDA 94-64

Mr. DeGaulle went on to say, "The Rome Treaty was sufficiently well drawn up with regard to industry. But it was limited to mentioning the question of agriculture and did not solve it. At the Beginning of last year, France obtained from her partners an undertaking that they settle this problem or else everything would be brought to a standstill. As of that moment, important progress was made. But still more important progress remains to be made, and this must take place before the end of this year."

France, remember, wants to be the EEC's major food supplier and is re-structuring its agriculture to that end. To insure its dominant agricultural position, France is insisting that the EEC adopt a policy of rigid protectionism for agricultural commodities that France is in a position to supply the community -- grains, poultry, meat, rice, and some other products.

The Common Market Council met General DeGaulle's deadline. By the time it adjourned on December 23, the Council had established common agricultural policies for rice, dairy products, beef, and fats and oils. It had also decided to establish 1964-65 grain price levels before April 15, 1964.

Complete summaries of the EEC's decisions have not been received as yet. We don't really know what has been decided. But I can tell you about the proposals that were up for decision.

(more)

USDA 94-64



Rice: Up for consideration was a proposal to establish for rice a common agricultural policy very similar to that now in use for grain -- a policy-making use of variable import levies, and of target, intervention, and threshold prices. This system would apply to imports a levy equal to the difference between an EEC threshold, or border, price and the world price. A point of particular concern to us was the EEC Commission proposal to include, in this rice threshold price, transportation charges from the producing areas in Italy to North Sea ports in Germany. We have estimated that, if this kind of a system were adopted, by 1970 -- which would be the end of the period of transition to the new system -- import levies would amount to about \$36 per ton or almost 30 percent ad valorem. This contrasts to the present zero import duties now applying in our German and Benelux markets.

Beef: Up for consideration was a proposal to establish a common agricultural policy for beef and veal which would apply an import control system to work somewhat in the fashion the poultry system works. That is, it would apply an import duty, plus a supplemental levy if import prices were below a minimum import price (gate price). This system would differ from that for poultry, however, by applying a simple 20 percent ad valorem duty in place of the complex of duties making up the basic 13 percent poultry duty, and by calling for internal price support measure -- with their target, intervention, and threshold price features -- akin to those used in the common agricultural policies for grain.

This EEC proposal would not, we believe, affect our substantial exports of beef variety meats and tallow. Our exports of these products to the EEC in 1962 had a value of \$39 million, of which \$33 million was tallow.

We are concerned in another direction, however -- and I refer to imports of beef by the United States. The EEC's proposals, if adopted, could tend to reduce third country imports, which would aggravate already strong pressures on exporting countries to ship their beef to this country.

Dairy products: Our trade with the EEC in dairy products is very small. We would be affected little by the December decisions.

Fats and oils: We are the major supplier of vegetable oilseeds and meal to the EEC. The common agricultural policy proposal for fats and oils, if it was not altered significantly by the Council, would not interrupt the upward trend of our exports to the EEC. These had a value of over \$200 million in 1962.

#### Trade with the Communist Countries

Everywhere in the trade area we must expect the unexpected. The unexpected happened this year when the Soviet Union and some of the Eastern European Communist countries had poor grain crops and turned to Canada, the United States, and other Free World countries for supplies. Red China, of course, has been buying grain from Canada and Australia in recent years.

It is too early to estimate how much grain the United States will sell to the Soviet Bloc. Problems arose, as you know, in connection with shipping charges and credit arrangements. Some problems still remain.

Up to recently, we had sold only small quantities of grain to the Eastern European countries. But on January 3, a commercial firm negotiated with the Soviet Union a sale of about one million metric tons (about 37 million bushels) of wheat. The total value of the sale at world prices at port amounted to about \$65 million. In view of new export licenses issued recently by the Commerce Department, additional sales are a strong probability.

Now the question keeps arising -- will the Communist countries become permanent customers for Free World grain. Who knows, really? The buying of Free World grain by the Communist countries has been due primarily to poor crop conditions, although inefficiency also has played a substantial role. Russia's grain crop is 25 percent below 1962 levels. Weather is notoriously capricious. It would be extremely hazardous, in my opinion, for U.S. grain producers and distributors to base long-term production and marketing plans on the possibility that bad weather will continue to plague the Communist camps. The percentages are against it.

As for our deals with the Soviet Union and the other Eastern European Communist countries, we have gained from them. We are obtaining dollars we need for surplus grain we don't need. We are improving our balance of payment position. We are reducing surpluses we otherwise would hold for three or four years. We are saving storage



costs. Above all, we are giving the uncommitted countries of the world, most of which are predominantly agricultural, a chance to compare the relative efficiencies of free and regimented agricultures.

### In Conclusion

Let me say in conclusion, as I said at the outset: we have vital interests in agricultural export trade.

We have an economic interest. We need the profits and wages that come from foreign as well as domestic sales. We want to ease supply pressures on U. S. farm prices. We want to sell a big volume of our farm products for cash in foreign markets to offset the currently heavy outflow of dollars and gold. We needn't feel apologetic about these practical objectives -- and I doubt that many of us do.

But we have a broader interest in trade. Our agricultural exports are promoting U. S. foreign policy by bolstering the peace and security of the Free World. The industrialized nations look to us as a dependable source of supply for needed farm products. The less developed countries need our commodities not only to combat hunger and malnutrition but also to stimulate the economic growth that may one day mean commercial markets for our goods. And, who knows, the recent break-through in trade relations with the Soviet Bloc could possibly lead -- through trade -- to improved East-West relations.

(more)

USDA 94-64



Trade problems exist, as I have pointed out. But I think that the countries of the world eventually will solve those problems. Populations are increasing; living standards are tending to rise almost everywhere. Under such circumstances trade is bound to expand. Trade will expand because it is in the best interests of all the world's people.

- - - - -



INDUSTRY AND GOVERNMENT -- PARTNERS IN PROGRESS

A280.39  
M472  
Jan. 8, 1964  
Cop. 2

I am pleased and honored to be here today. As a native of California -- a state where they raise a turkey or two every year -- and as a marketing man of long standing, I feel pretty much at home with this group.

I am familiar with your problems, many of which are shared by most of agriculture, and I appreciate your accomplishments -- of which you have good reason to be proud.

At the same time, I am sure you are familiar with, and I am sure you appreciate, the real help your industry has received from the U.S. Department of Agriculture.

Maggie Small suggested I talk to you about industry and government as partners in progress. I was glad to have his suggestion -- I think it is most appropriate. And I think that the turkey industry in particular has demonstrated how effectively an industry can progress when it looks upon Government as an aid, which it is, rather than as a principal or as an adversary.

No one expects that Government and industry will always see eye to eye -- it is not in the nature of things that they should. But neither can they afford the luxury of being antagonists, for in our country -- which is an economic democracy just as it is a political democracy -- each is mutually dependent upon the other.

---

Address by Assistant Secretary of Agriculture George L. Mehren, at the annual meeting of the National Turkey Federation, Kentucky Fair and Exposition Center, Louisville, Kentucky, January 8, 1964, 2:00 p.m. (EST).

---

Justice Brandeis once said the purpose of the separation of powers within the government "was not to avoid friction, but by means of the inevitable friction incident to the distribution of the governmental powers among three departments, to save the people from autocracy."

These words apply just as much to the relationship of business and government as they do to relationships within the governmental structure. But the natural frictions of our system of freedom should be contained within tolerable limits which are consistent with the overall good, and should not become hostilities and suspicions, poisoning the atmosphere of our public affairs.

Again, I would point to the relationship between the turkey industry and the Department of Agriculture as one which other industries and other departments of government might well envy.

This is not to say that we have never had any disagreements -- but those that have existed have always been resolved in a manner that still left room for a fine spirit of cooperation between us.

Some might think that our experience with the proposed national marketing order for turkeys proves otherwise. I do not. This was a proposal that was developed in cooperation with industry. Terms were set, after public hearing, by the U.S. Department of Agriculture, as required by law to insure that they be in the public interest. When it came to a vote, a majority of turkey producers



decided that the proposal was not what they wanted. This illustrates a division of opinion among members of the industry -- but not necessarily between the industry and the Department. We do not regard it as a "defeat" for Government when any particular referendum fails -- on the contrary, for we are not the advocates but more nearly the referee and the purpose of the referendum is to find out what producers want. We remain ready to work with your industry, as we always have. But I suggest that you bear in mind the lesson we all learned from the marketing order experience, and seek understanding and unity within your industry as a first step toward any new program.

Probably one of the most outstanding examples of partnership between Government and the turkey industry over the years has been the National Turkey Improvement Plan which involves both State and Federal Governments. Under the blood-testing part of this program, pullorum and typhoid have all but been eliminated from our nation's turkey breeding flocks.

Work on improving turkey breeding, feeding, housing, management, processing, merchandising, and marketing has been carried on by both industry and public agencies -- very often in cooperative projects. We are all familiar with some of the outstanding results -- such as the Beltsville White turkey which was developed to meet the needs of smaller families and no doubt has played a part in the remarkable increase in per capita consumption of turkey during recent years.

I am confident that the turkey industry's widespread and early use of government inspection and grading programs also had an impact on consumer acceptance of turkey. This industry is to be commended for the foresight and wisdom it displayed in its early adoption of these programs. This course also proved of real benefit when the Poultry Products Inspection Act went into effect just five years ago this past week -- and this industry escaped many of the aches and pains of adjustment that beset the broiler industry at that time.

Today, a higher percent of turkeys is officially graded for quality -- 88 percent -- than of any other product which is graded on a voluntary, fee-for-service basis. To me, this is proof of an industry that is alert to merchandising opportunities and responsive to consumer desires -- which are actually two sides of the same coin. Lately, in response to industry requests, we have developed grades for rolled, boneless poultry roasts -- and I have no doubt that you will also make good use of this new marketing tool when it is available for use. We have extended until March 1 the time for receiving your comments on this proposal.

I am sure you also know about and use the other aids provided by the Department, such as the market news, cold storage, breeders' intentions, slaughter, outlook, and other economic reports. No industry has a finer set of statistics with which to plan its production and marketing activities -- including such large enterprises as the automobile business which expends millions of dollars each year to develop just such information.

Perhaps less well known to you is another Department marketing service -- that of assuring and protecting equal and fair competitive opportunity in marketing through elimination of discriminatory, deceptive, and monopolistic practices. This responsibility is assigned the Department under the terms of the Packers and Stockyards Act which, in effect, sets out a code of ethics for the marketing of livestock, meat, and poultry.

The Packers and Stockyards Act has been applicable to the poultry industry to some degree since its enactment in 1921, but amendments in 1935 and 1958 extended its coverage and in recent years marketing practices in the poultry industry have come in for more scrutiny on the part of those charged with administering this law. It seems likely that more action will be developing in this area in the future -- in keeping with the age of maturity the poultry industry has attained.

The Department, as you know, also carries on a wide range of market development programs, both at home and abroad.

Efforts to sell turkey abroad are carried on cooperatively by the Department and by the industry through its International Trade Development Committee, which the National Turkey Federation helped set up and of which it is a prominent member.

Results have been extremely gratifying. Fifty foreign countries were markets for U.S. turkeys last year, whereas 10 years ago, only four countries were buying them. The amount of turkey



moved into export, although only 2 to 3 percent of our national production, is still a lot of turkey. And had this amount been thrown on the domestic market instead of being sold overseas, it would certainly have added to our price problems here at home. Turkey exports to West Germany -- our major overseas market -- have held up well despite sharply higher import fees.

Selling efforts are carried on by your industry and by USDA through introductory sales for foreign currencies, under provisions of Public Law 480; through international trade fairs, such as the recent highly successful ones in Amsterdam and Tokyo; and through on-the-spot promotional and technical work. The latter includes work with poultry importers, wholesalers and retailers, and with representatives of foreign governments. It also includes development of advertising and informational materials, such as the colorful brochure called "Turkey, the Fabulous Meat Bird from the United States," which was developed by the Department to give foreign buyers and consumers an idea of how your industry operates and why turkey is such a good buy. This booklet has been printed in six languages -- English, German, French, Italian, Spanish, and -- just this past year -- Japanese.

I think you are aware that the Department for some years has also helped to alleviate price problems in the turkey industry through its surplus removal purchases, commonly known as Section 32 purchases. Over the past three years, the Department has purchased more than 146 million pounds of turkeys under this program.

(more)

USDA 4327-63



Under the purchase program just completed -- which began on August 30 and ended October 17 -- more than 43½ million pounds of turkey were removed from commercial marketing channels. These Government purchases were very carefully timed so as to coincide with what was expected to be the period of greatest price weakness -- and thus provide the greatest possible stabilizing effect. Purchases were made from 60 firms located in 24 states.

These purchases did have, as you may know, the expected result. Between the first and last purchase by the Department, producer prices were maintained within a narrow range. Price strength, and slightly higher prices, began to show up in mid-October just prior to the final purchase by the Department. In fact, the completion of buying was immediately followed by a slight rise in prices. In other words, by mid-October commercial interests had picked up the slack in the market and had begun to effectively remove "excess supplies from the market."

However, successful as this operation was -- and has been for some years -- it would be less than realistic to simply count on its continuance forever. The Federal Government has its fiscal problems, too, and we are presently engaged, at the direction of President Johnson, in scrutinizing every activity to see where economies can be effected. The fact is that Section 32 programs are intended to be used as an emergency measure and not as a regular continuing program for any one commodity. Therefore, as an industry, you should take care that you do not come to count on this program

as a regular, dependable part of your market -- but rather look on it in its true light as life-saver which can be put to use in times of emergency.

The turkey industry, I believe, has also received considerable benefit from the Department's Plentiful Foods Program through which we work with the food trade to move foods in temporary excess supply through regular commercial channels. Retail stores and institutional feeders, particularly, look to this list in determining foods they can feature advantageously. The largest institutional feeder of all is the school lunch program, and although schools receive a large part of the Section 32 purchases of turkey, they also buy considerable quantities. The fact is that the schools are a 600-million-dollar market each year for foods over and above those they receive from the Government.

The Department's newest food distribution activity, the Food Stamp Program, is also one which will -- especially if it reaches the potential expected -- provide a growing market for turkey and other highly nutritious foods. This program is one which puts extra purchasing power in the hands of those whose incomes are too low to enable them to buy an adequate diet. Studies have shown that people receiving food stamps use them to purchase added amounts of just such high-protein foods as turkey.

These then are some of the areas -- though by no means all -- in which the Department over the years has cooperated with the turkey industry to help increase efficiency in production and

marketing, hold down costs, improve quality, and expand markets. Few people outside of those who, like yourselves, are directly involved are aware that Government performs such services -- and still less of the benefits that accrue to consumers because of them.

Most of our people tend, quite naturally, to take for granted the abundant supply and fantastic variety of foods to which they have become accustomed -- and even the reasonable cost which is now at the lowest point, in relation to income, in history.

But I believe it is fair to say that without the services, research, regulation, and educational efforts of the Department -- such as those in which you have cooperated -- this progress would hardly have been possible. It is commonly believed that the Department of Agriculture performs services only for farmers -- which is not true -- but even from those services which are for farmers -- such as soil conservation, production research, insect control, and the like -- even from these consumers receive more real benefit than anyone else. For, as I said, these services have helped make it possible for our people to enjoy the best bargain in good eating in the world today -- or in history.

Nevertheless, in addition to those services which are commonly thought to be "just for farmers," the Department performs more direct services for consumers than any other department or agency of the Federal Government.



Some of these consumer services are in the field of research -- on food and nutrition, clothing, fabrics, housing, and home equipment. Some are in the recreation facilities provided through the National Forests and through the Small Watershed Program. Still others are in credit services, such as those rendered by the Farmers Home Administration which help finance rural housing, rural water supply systems, and outdoor recreation enterprises, as well as farm operations.

And all of the marketing services provided by the Agricultural Marketing Service -- the inspection for wholesomeness, grading for quality, marketing research, and market regulation, and facilitory services which help to make it possible to market the products of our farms as efficiently as they are produced -- all of these are of direct benefit to consumers, as well as to farmers, and to those engaged in marketing.

We are, at the Department, presently working toward getting a broader understanding on the part of the public in regard to some of these services that are performed for them -- as well as those that help to hold down the cost of their food -- and in fact help to sustain our whole national economy.

However, I suspect that this is a project that is going to take quite some time. Nevertheless, whether the consumer knows it or not, it is his desires, and his welfare, that have motivated all of the changes we have witnessed in the production and marketing



of food over the past couple of decades. And there is no doubt that consumers have benefited enormously.

Having said this, however, I hasten to add that problems in the farming and food industries, despite the fine record that has been set, are among the most pressing in any sector of the economy.

The crux of the matter is that we are now living in a complex and highly industrialized and urbanized society, but are still going through the pains of a transition, politically, socially, and economically, from a system and a people geared to a time when this nation was largely agrarian.

Your industry, no less than any other, can bear testimony to this fact. You have gone through dramatic changes in production and marketing and have attained tremendous progress. In just the last decade, you have increased output more than 50 percent -- and per capita consumption more than 45 percent.

Because of the increased efficiencies in production -- and the low margins taken by volume retailers during the holiday seasons when consumption is heaviest -- consumers have sometimes seen a material decline in retail prices.

And while declining farm prices for turkeys have not been exactly good news to producers in most instances, they have been offset to a considerable extent by increased production efficiency,

(more)

USDA 4327-63

including the trend toward larger flocks. We have seen, for instance, a 10 percent drop in the last decade in the pounds of feed required per pound of turkey produced. Lower mortality and relative declines in poult prices reflect in large measure progress in breeding and management and savings realizing potential economies of scale in hatchery operation. The shorter growing period has enabled some producers to grow out more than one batch a year.

Yet recent studies by the USDA's Economic Research Service suggest that even further economies in hatchery operation, live turkey assembly, and processing can be realized. Using synthetic model plants, economists expect to define more precisely than has been previously done the economies of scale which exist and to provide guidelines for achieving further cost savings.

Our economic researchers are presently engaged in another project which I know will be of interest to you -- and that is an analysis of data which they expect to reveal the extent of integration in the turkey industry. As you know, contract growing and other forms of integration have been a growing phenomena in the turkey industry, but we have had no means of determining, to date, the extent to which this has grown. Preliminary results, these economists state, show that if we include owner-integrated and company-owned production, perhaps 60 to as much as 75 percent of turkey production is presently integrated to some degree. Integration, in this case, they define as involving mainly the producer, hatchery, feed supplier, and processor in risk-sharing arrangements

(more)

USDA 4327-63

or those in which decision-making is shared to some degree. In very few cases did they find arrangements existing which involve retailers.

This work is of course a part of the Department's regular on-going research program. More such studies -- and much more such information -- are urgently needed both by the farming and food industries and by those Government agencies charged with servicing them and with protecting the public interest in our free enterprise economy.

For it is only with more information as to what has happened and is happening in this economy -- the extent of changes that have occurred, why they have occurred, what they imply, where they may be leading -- that we will be able to make the necessary changes in our programs, in our ways of doing things -- even in our ways of thinking.

We seek not to constrain or to reverse changes that have taken place, but to help assure that these changes are channeled in directions that do represent real progress and will be beneficial to all.

And we seek to assure that our industries and our government remain flexible, as they always have, to be able to meet, capitalize on, and adjust to changes as they come along. This is one of the great strengths of our democracy. It has made us the world leader in agriculture, and certainly turkeys have been in the forefront of this growth and development.



The outlook for turkeys in the years ahead appears promising in the light of recent projections to 1968 made by Department economists.

They hold forth the prospect of increasing demand, with rising consumer incomes and with added convenience items and a greater proportion of canned, frozen, and other new products. They expect combined costs of production and marketing to decline. They foresee a trend toward fewer, larger, and more highly integrated operations. The analysis contains this statement:

"The turkey segment of the poultry industry seems to have the greatest potential for cost and price reduction over the longer term. A large part of this potential is expected to be realized by 1968. Consequently, turkey output is likely to increase more rapidly than broiler production in the next 5 years."

Presumably, this optimistic view presupposes an ability by the industry to gear output to needs, and to expand cautiously and on the basis of a foreseeable market at reasonable returns.

The necessity for the industry to work together toward this goal is implied also. Let me close by stressing this necessity as strongly as I can. USDA provides you with many fine aids to improve your production and your marketing -- and we have, as I indicated at the outset, enjoyed a very fine cooperative relationship between USDA and the turkey industry. How effective this

(more)

USDA 4327-63



cooperation will prove to be in helping to solve some of the problems now confronting your industry -- and in bringing about the kind of progress which that rosy prediction for 1968 called for -- this depends, it seems to me, on how well you can resolve differences among yourselves and inspire a cooperative spirit and effort within your industry.

On this basis, I am sure that we can count on a sound and lasting partnership in progress between industry and government -- and one which realizes the opportunities and not just the problems of progress.

-----

USDA 4327-63

U. S. DEPT. OF AGRICULTURE  
NATIONAL AGRICULTURAL LIBRARY

FEB 18 1964

C & R-ASF

FEB 18 1964

CATTLE, BEEF, AND THE USDA

C & R-ASF

*A 280.39*  
*M 472*  
*Dec. 6, 1963*  
*exp 2*  
Just two weeks and two days ago, it was my privilege to address at Los Angeles a "Southwest Livestock and Meat Conference" called by the Chamber of Commerce of that city and the 48th District Agricultural Association.

Because of the terrible and tragic event that befell us all in the interim, it seems now more like two years -- or two centuries -- ago. But the problems of the livestock and meat industry I discussed then still remain. And in your industry, as in every other sector of the economy, there is much that demands attention.

There is, first of all, the matter of adjusting to the whole scientific, technological, economic revolution that has swept not only this country, but the world. There is the matter of adjusting to a changed and changing market structure. There is the problem of increasing production, increasing imports, and increasing expenses. There is also the prospect of increasing consumer income and increasing consumption of beef.

So there is much to think about, much to adjust to, and, I believe, on the whole, much to look forward to.

The record of beef cattle over the past several decades is a distinguished and progressive one. In the 23 years since 1940 total beef

---

Address by Assistant Secretary of Agriculture George L. Mehren, at the annual convention of the California Cattlemen's Association, Albert Goode Auditorium, Bakersfield, California, December 6, 1963, 9:20 a.m. (PST)

production has more than doubled. The average consumer ate 55 pounds of beef in 1940. This year he will be privileged to eat about 95 pounds--a new record. The retail value of all beef consumed has increased more than 6 times, from \$1 $\frac{1}{2}$  billion in that prewar year to about \$10 billion this year.

At the Department of Agriculture's annual Outlook Conference in Washington two weeks ago, predictions for 1964 included increased marketings for cattle, but relatively lesser change in price, so that overall cash receipts from cattle and calves in 1964 would be higher than in 1963.

Cattle on farms and ranches on January 1 are expected to total close to 107 million head -- and this inventory will provide the basis not only for a further increase in beef production, but also for future increases in the supply of feeder cattle suitable for feedlot fattening.

Projections for the next five years indicate that with normal gains in population, income, and continued preference for beef, it will be possible for consumers to absorb annual increases in beef production in the neighborhood of 3 percent and still maintain relatively stable prices to cattle producers.

Beef producers have, as you well know, encountered recurring short-term price difficulties in recent years. Mostly these have resulted from large marketings of high-grade fed beef during short periods of time. No cattle feeder deliberately contributes to such bunched up marketings, of course. But things do sometimes get out of kilter, despite the fact that the cattle feeding industry, decentralized and dispersed as it is, does manage with the aid of both public and private economic services to keep fed cattle moving into slaughter at a fairly even rate most of the time.

(more)

USDA 3947-63



The cattle feeding industry has been expanding rapidly since 1958. Many commercial feedlots have been built -- many of them, of course, here in California. On January 1, 1963, there were 8,896,000 cattle and calves on feed in 26 leading States, 51 percent more than there were at the beginning of 1958.

California now ranks second in the nation in cattle feeding, with approximately 1,070,000 head on feed as of November 1. This is half of the cattle on feed in the 11 western States, and about 15 percent of the nation's total.

Our Department economists point to the fact that sharp price movements, such as occurred in the second half of 1962 and in the first half of 1963, happened while the total number of cattle and calves on farms was increasing in an orderly fashion.

In other words, prices of fed cattle have fluctuated markedly while the general cattle cycle has been in a relatively gentle upswing. This emerging phenomenon, they figure, is probably the result of the development in the cattle industry of two clearly defined stages of beef production: producing calves and converting feed concentrates into meat.

Numerous explanations have been given as to why cattle prices have dropped as much as they have in recent months. The Department of Agriculture has given the matter much careful study. The conclusion, to date, is that the most important single factor is the increase in cattle numbers and particularly the increase in the number of cattle on feed and fed cattle. Increased imports have contributed, to a degree, and of course supplies of other meats and poultry also have an effect.

(more)

USDA 3947-63

I am aware that cattlemen tend to think that imports contributed much more to the recent price decline than Department economists believe. And this reminds me of a story I heard not long ago about a cattle feeder who was taking the hide off the USDA because of these imports. A reporter asked him where he bought his feeder cattle. "From Canada," was the answer, "but I didn't know these were counted in the import figures!"

But the point I really want to make is, that of the beef and veal imports thus far in 1963, carcass weight, 81 percent was boneless frozen beef; 14 percent was canned beef. Relatively little bone-in or chilled beef was imported. Some of the boneless frozen beef is suitable for uses other than processed products, but, even so, quality is believed to compare generally to that of the lower grades of domestic beef.

So it is reasonable to suppose that imports as they presently are constituted are having their major effect on cow prices. To the extent that cow beef may compete with fed beef for the consumer's dollar, cow prices have some effect on fed beef prices and vice versa. But I do not believe that it is reasonable to suppose that by lowering the supply of hamburger and hotdogs and other processed beef products which is where most of the imported beef goes -- I do not think it reasonable to suppose that if we did this, it would automatically increase the demand for fed beef -- that those who can afford only this kind of meat would suddenly start buying rib roasts and sirloins.

Therefore, I suggest that those who think that the Government should "do something" immediately about holding down imports of beef, take a longer look, study some of the analyses that have been published, and work together with the rest of our domestic beef industry to formulate plans that will move our domestic supply through the markets in good order in the months ahead.

Meanwhile, we shall continue to keep close watch on the import situation and to study means of minimizing the impact of this competition should it prove necessary. I assure you that your Government and the Department of Agriculture in particular is sympathetic to your views and your problems. Your goals for a free and prosperous livestock and meat industry are exactly our goals.

The livestock industry is, of course, noted for its spirit of rugged individualism -- and this is highly commendable. I wonder, however, if those who ask for import controls realize that what they are asking for is a form of supply management, and also of price support.

Cattlemen, especially, seem to fear controls of any sort -- including the idea of mandatory feed programs, national marketing orders -- even what they call "subsidy." None of this has happened or is about to happen, unless you would label as subsidy the help that cattlemen, as much as any other agricultural producers, receive -- and have received for many years -- from the Department of Agriculture through our regular services, regulation and research.

(more)

USDA 3947-63



I refer to such aid as that provided under the Agricultural Conservation Program, under which since 1936 some \$3 billion of public money has gone into financing soil and water conservation practices on livestock farms and ranches.

Aid has included help on construction of 207,000 wells for livestock water on farms and ranches at a cost of more than \$76 million; 1,414,000 reservoirs for livestock water at a cost of nearly \$255 million; and better than 49 million linear feet of pipe for livestock water at a cost of nearly \$13 million. Then there have been some \$50 million worth of improvement of cover on rangeland and \$4 million worth of tillage operations on pasture and range, and \$2½ million worth of stocktrail construction running better than 40 million linear feet.

It goes without saying-- but I will say it anyway -- that since the establishment of the U.S. Department of Agriculture and the various State departments of agriculture, billions of dollars in public money have been expended in research and action programs related to eradication and cure of livestock diseases -- and in research leading to increasing the efficiency, and profits, of livestock producers.

The 1964 budget proposals of the Department of Agriculture call for more than \$18 million to finance research in animal husbandry and animal diseases and parasites, and another \$34 million for animal disease control and eradication.

Not long ago, the Department invested \$15 million in the construction of the world's best animal disease laboratory at Ames, Iowa.



Now, I don't mean to imply that the livestock industry should or could have done these things for itself -- such research and action programs are logical, worthwhile responsibilities of State and Federal Governments. Moreover, consumers have benefited and will benefit in terms of more and better foods -- foods that are free of many health hazards faced by earlier generations of Americans. But these State and Federal expenditures have brought economic advantages to beef producers, too, as have many other Federal and State programs that I haven't mentioned.

Among others, the marketing programs that are my direct responsibility in the Department of Agriculture surely have done much to aid the livestock and meat industries and to help them maintain the free and independent status they enjoy.

These programs include marketing research which tackles marketing problems ranging from more objective means of identifying meat quality to more efficient marketing facilities -- all with the aim of cutting the cost of marketing so that producers and consumers -- and the businessmen intermediate between them -- might share in the savings.

They also include regulatory programs -- and there is none finer than that conducted under terms of the Packers and Stockyards Act, a law specifically designed to protect the interests of the livestock producer, trader, and the consumer. Recognizing the changes that have occurred in livestock marketing, Congress in 1958 amended the P&S Act to extend the jurisdiction of the Department beyond the terminal and auction markets into the country where an increasing number of transactions impinging upon interstate commerce are now taking place. This action brings to the live-

stock producer the equal protection of the law, no matter through which channel he markets his production.

A few years ago, the livestock industry was putting considerable pressure on the USDA for more protection and more vigorous enforcement of the P&S Act. Well, we're giving you more protection and more vigorous enforcement. But we merit your constant and active support against the counter pressures and anguished cries from the people we crack down on for jeopardizing the stockman's pay for all the hard work and money he puts into growing or feeding livestock.

The Department also conducts a number of market expansion programs -- including the development of overseas markets for livestock products. And I think it is worthy of note that our exports of livestock products have been showing a healthy growth this year.

Domestic market expansion programs include a special "Plentiful Foods Program" which works with trade and producer groups to help move excess supplies through regular commercial channels. Beef has received the benefit of this promotional effort any number of times and will be featured again this month. The Department also stands ready to lend its aid whenever any food industry requests help with a special promotional campaign -- one which, so to speak, "pulls out all the stops."

Domestic programs that, while aimed at improving the dietary levels of children and those who are unable to buy an adequate diet, do have, at the same time, a strong market-expanding effect include the National School Lunch, Food Distribution, and Pilot Food Stamp Programs.

(more)

USDA 3947-63

The Department, as you know, buys substantial amounts of beef to help supply the schools taking part in the lunch program -- and the schools themselves buy huge amounts. The school lunch program could be a still better market for beef if there was some way of reaching the  $5\frac{1}{2}$  million children in schools that don't have any lunch program -- largely because they lack the facilities to serve lunch. Many of these children, unfortunately, are the ones who are undernourished and need school lunches the most. And don't ever forget that the foods children learn to eat and like in schools are the foods they will buy as adults a few years from now.

Among the oldest -- and most useful -- of the marketing programs provided to the livestock and meat industries by the Department are the grading and market news services -- both established, I might add, at the request of producers. There is no doubt in my mind that these two programs have played a significant role in helping the livestock producer to maintain his cherished "rugged individualism." And there is no doubt in my mind that they will continue to fulfill this function if they can be kept in tune with the changes in marketing practices and organization. This is precisely what the Department is attempting to do -- not, I must say, without some difficulty.

It is hardly necessary, I suppose, to extoll the virtues of market news here -- California has been in the forefront of those States cooperating with USDA in developing this service. In the livestock reporting field, there are six cooperative Federal-State offices in California, including San Francisco, Los Angeles, Visalia, Stockton, Redding, and El Centro. Reporters at these stations gather information on range and feedlot sales and at major auctions on prices, trends, volume, and general



trade conditions. In addition, information is gathered on the wholesale meat trade at San Francisco and Los Angeles. This information is released locally through radio, television, newspapers, and trade publications. It is also sent throughout the nation -- and news from other areas is brought here -- through the 19,000-mile leased teletype wire operated by the Federal market news system. Because many producers, and others, wish to get these reports, in all their detail, as soon as they are transmitted over the USDA wire and because technological developments have made it feasible, USDA recently took action to permit private subscribers to "hook on" directly to this wire. The Western States Meat Packers Association, which has been operating its own private subscription wire through a relay arrangement with USDA, was one of those most interested in obtaining this improved service.

Now let's turn our attention for a minute to meat grading -- another of the services requested by -- and of great benefit to -- producers. Federal grades for beef have long been held to be one of the reasons for the ever-growing consumer preference for beef. More than that, they have helped appreciably to increase efficiency in pricing and in marketing -- and to guide the producer toward consumer preferences.

Grades for beef, and for any other product, are of course units of measurement. They provide the yardstick -- uniform throughout the nation -- through which the attributes that determine the value and merchantability of a product can be measured. The concepts on which current grade standards for beef are based have scarcely changed since they were first developed half a century ago. And as far as that is concerned, they still measure very well the eating quality of beef.



But something else has changed that affects the value of beef carcasses as much, or more, than the eating quality. In today's market for cattle or beef, value is greatly affected by the amount of outside covering of fat. The consumer is objecting to excessive fat on beef, pork, even in milk. This is real and it is lasting. Any marketing system for livestock that fails to distinguish clearly and accurately between wasteful animals and preferred ones is ineffective and, in the end, damaging.

Cattlemen and animal husbandry departments of our universities, among others, have recognized this fact -- and they have worked with USDA over a period of more than 10 years to develop a means of appraising accurately this newer value factor. This painstaking work culminated in the proposed grades for "cutability" or carcass yield which offer you a more precise marketing tool than you have ever had before.

Although some people profess to fear that making more information on a beef carcass available will somehow be harmful, it is difficult to see how education alone will result in increased production of the "meat type" cattle that are preferred.

We all believe that the profit motive is the heart of our economic system -- the reason we can run so far ahead of the Communists in agricultural production. Then what's wrong with helping make the profit motive work as it's supposed to -- to discourage wasteful production and encourage useful production through the free market system? What we have done is to offer an alternative of unbiased government yield marks to those who may want voluntarily to use them.

(more)

USDA 3947-63

Resistance to change is, of course, human nature. But we cannot afford to sit idly by in this day of overwhelmingly rapid change and make no attempt to keep pace. Difficult as it may sometimes be, we must re-adjust our ways of thinking along with our ways of doing things.

Government marketing services that I have mentioned -- and there are others, as you know, but discussion of them will have to await another day -- these services are no exception to the general rule -- they too must change to meet the needs of a newer day if they are to continue to fulfill their mission.

That mission was well stated in the Agricultural Marketing Act of 1946 in which Congress spelled out its intent to provide for an integrated administration of marketing services, research, education, and regulation to the end that:

"Marketing methods and facilities may be improved, that distribution costs may be reduced and the price spread between the producer and consumer may be narrowed, that dietary and nutritional standards may be improved, that new and wider markets for American agricultural products may be developed, both in the United States and in other countries, with a view to making it possible for the full production of American farms to be disposed of usefully, economically, profitably, and in an orderly manner."

This is indeed a sobering responsibility -- especially in view of the changes that have occurred in the marketing system in the past 20 years. The changes are marked by size and by function -- there are far fewer firms engaged in marketing at every level -- and they are far larger. They perform more of the functions that once were performed on the farm and in the kitchen -- and the proportion of the consumer's dollar that goes for

marketing grows, while the farmer's share declines for this and a number of other reasons. Add to this the wholly new relationships that have developed between farmers, processors, and distributors -- which sometimes bypass completely the old and traditional marketing system -- and you have a slight idea of the complications implied by the simple words "market change."

I do not mean to imply that these changes are bad. On the contrary, they came about largely because technical development, mass demand, and public requirements called for them. They have contributed greatly to the efficiency of marketing and have helped to make it possible for American consumers to have the widest choice of the best food, for the smallest percentage of their incomes, of any people anywhere. Moreover, these accomplishments would hardly have been possible without the aid of the marketing services provided by the USDA.

Sound public policy calls for continuing efforts to encourage efficiency -- and this we shall do. But, at the same time, it also calls for assurance that while wanted economic functions are being fulfilled, the freedom of the individual and individual enterprise is not inhibited or invaded. Shaping present programs to fill both these purposes in today's setting is indeed a difficult assignment. It is possible that new programs -- even new laws -- will be needed.

Needed adaptations will not come about overnight -- much more information on the market changes currently taking place -- their causes, effects, and likely future course -- will be needed first.

(more)

USDA 3947-63

Meanwhile, we strive to keep our programs as current as possible, as the needs are seen. We seek your cooperation and your help, for these are programs -- and modifications -- for your benefit, and in the public interest.

Your wish for a free and vigorous industry is no stronger than that of your Government's, recognizing as we all must the need for Government service and regulation in a modern economy and a modern world. There could be no freedom without it. The balancing and preserving of the intricate mechanism of competition has, in fact, always required the hand of Government -- and it does today as the flood tide of the 20th century moves us implacably toward a new plateau of production and distribution.

- - - - -

USDA 3947-63



FEB 18 1964

CALIFORNIA AGRICULTURE AND USDA POLICY

C & R-ASF

280.39

M472

Dec. 5, 1963

Page 2

I am honored and pleased by your invitation to be with you today.

I want to tell you something about agriculture, about the U.S. Department of Agriculture, and about California's relationship to both.

Perhaps it is carrying coals to Newcastle to come back home to California and tell you what a great agricultural State this is. But I wonder if most businessmen really appreciate what agriculture means to the national economy -- and if those in California fully realize what it means here.

Agriculture, to begin with, remains this Nation's biggest business, with a gross income expected to run this year close to \$41 billion. Although only 8 percent of our population is needed to produce the abundance that feeds and clothes us so well -- enables us to export some \$5 billion worth of produce a year -- and still have enough left over to make us tear our hair over "farm surpluses" -- that is not the whole picture.

The fact is that in addition to farmers, there are another 40 million people who make up our rural population, a large number of them engaged in small town businesses that service and supply the farmer. And then some 10 million people have jobs storing, transporting, processing, and merchandising the products of agriculture. Another 6 million or so have jobs providing the supplies farmers use. Add them all up -- the farmers,

---

Address by Assistant Secretary of Agriculture George L. Mehren at the 36th annual meeting of the California State Chamber of Commerce, Biltmore Hotel, Los Angeles, California, December 5, 1963, 9:30 a.m. (PST).

---

the small town shopkeepers and bankers, the truckers, processors, wholesalers, and retailers -- and we're talking about close to 40 percent of our population.

So it's not hard to see why the condition of agriculture has such a strong effect on our whole national economy -- and the reason for strong governmental concern with this portion of our economy.

Of course there is another -- and transcending -- reason for governmental concern with agriculture -- and that is simply because the products of the farm -- unlike those of the mine or even the forest -- are continually and critically necessary to life itself. This is also the basic reason why -- in an ever more urban society -- the government is as concerned with the efficient and effective marketing of farm products as it is with their production.

California, as I'm sure you know, leads the Nation in cash receipts from farming. Last year this came to \$3.3 billion -- or 9 percent of total U.S. receipts. This figure is well above the next two States in order, Iowa with \$2.6 billion and Texas with \$2.5 billion.

Californians do things in a big way -- and our agriculture is no exception. It is characterized by specialization in many crops, by large investment and by flexibility -- a thoroughly commercial enterprise.

California is the number one State in the nation in the value of vegetables produced, both for fresh market and for processing. About half of the California vegetable crop goes into fresh market and half into processing.

(more)

USDA 4053-63

California also leads the nation in the production of a variety of fruits and nuts -- lemons, peaches, plums and prunes, pears, grapes, apricots, nectarines, dates, figs, olives, avocados, almonds, and walnuts.

California now ranks second in the nation in cattle feeding, with approximately 1,070,000 head on feed as of November 1. This is half of the cattle on feed in the 11 western States and about 15 percent of the Nation's total. The State has been a livestock and field crops area for several decades.

While California does not produce a large percentage of the Nation's total output of cotton, the crop here is extremely valuable. It was worth more than \$325 million last year, or about 10 percent of total farm income in the State. And while the average yield of cotton per acre of the United States has just broken through the bale-per-acre mark -- California cotton producers average better than two bales per acre.

I think that most of you know, as I do, that this agricultural economy was literally made by the work and investment of people. It has sunshine, but the rest of the resources were put together by people.

Manufacturing of food products is big business in California, too, employing about 162,000 in 1961, according to Census Bureau estimates. This is 12 percent of the employment in all manufacturing in the State; and the payroll of about \$905 million is 11 percent of the total State manufacturing payroll.

It is clear, I think, that important as agriculture is to our whole Nation, to Californians it holds even more significance.



California's markets, of course, include the whole Nation and many foreign countries. The prosperity of the Nation -- and of those foreign countries -- determines how good those markets are. The kind of marketing system that is available to the products of California agriculture determines to a large degree how effectively these products can compete with those from other areas.

The public services of the U.S. Department of Agriculture to encourage and promote an efficient and prosperous agricultural industry, including an efficient commercial marketing system -- and remember we are talking about the processes that provide a livelihood for 40 percent of the population -- these services, then, are probably of more benefit to California than to most other States.

I say this despite the fact California agriculture is such that it needs little help, comparatively speaking, from Government payment programs. Last year these accounted for only \$31 million (chiefly for cotton)-- or less than 1 percent of California's receipts from farming. In contrast, Government payments were 5.4 and 5.7 percent of cash receipts from farming in Iowa and Texas, respectively, the next two States on the cash receipts ladder.

I say this because I believe that these payments -- and the supply management programs of which they are part -- represent a necessary but transitional aid to agriculture. They are necessary -- and will continue to be necessary for some time -- to assist a major portion of U.S. agriculture through a period of rapid and massive technological change.



But the more enduring -- and in the long view more valuable -- USDA services to agriculture and to the general public -- the far-reaching research, conservation, education, service, credit, and regulatory programs -- these may well provide more value-received to California than do cash payments to many other States. They are, in my opinion, among the major reasons that this country -- with California in the vanguard -- leads the world in the efficient production and distribution of farm products -- and why our people can buy the world's best diet for a smaller portion of their income than any other people.

The long term public policy for agriculture in this country has been to make the most productive use of resources possible -- and today we recognize that resources are both natural and human. Accordingly, we are providing programs that will help to widen the range of opportunities for rural residents -- both farm and non-farm -- and broaden the rural economic base.

This effort, which the Department of Agriculture calls Rural Areas Development, is an effort to revitalize and recapitalize our rural community. Secretary Freeman has described its goals in these terms:

"We seek to use land, not idle it. We seek to encourage community growth, not its stagnation and decline. We seek to make use of rural resources to meet the needs of the city for outdoor recreation -- for space and green land -- and to provide the rural community with new income opportunities. We oppose the philosophy which would drive people off the land when there is so much need for all the goods and services which land and people can provide."

This program is consistent with the long-apparent trend in agriculture -- toward an efficient and adequate family farm operation -- supplemented by larger-than-family farms where these have proved practicable and desirable. Today's family farm may be and often is an operation of considerable size. Above all, it is an operation of supreme -- and proved -- efficiency. Rather than fading away, the adequate-size family farm has actually increased in number over the past decade.

No one is proposing to preserve the inefficient or inadequate family farm -- like a museum piece -- but such farms must be helped to become adequate and efficient -- or the families who live on them must be helped to find other forms of income. That is what we are proposing to do in Rural Areas Development. It is an effort not only to bring new life and opportunity to rural America, but also by so doing to help strengthen the whole national economy. To complete the circle -- a vigorous and growing national economy is of prime importance if agricultural products are to find adequate markets. Our greatest undeveloped markets -- despite the yet unrealized possibilities for exports -- are right at home.

A professor of economics at the University of Texas has said "One of the ~~most~~ important discoveries of modern times is the discovery that mass production requires a mass market, and that the adequacy of the mass market depends on the ability of the masses to buy the products of mass production. In short, our affluence rests not on poverty but on participation by the whole community in the benefits of industrial production."

I think that pretty well sums up your stake -- and the stake of the Nation -- in Rural Areas Development.

(more)

USDA 4053-63

The U.S. Department of Agriculture does conduct, as well, a number of vigorous market expansion programs. One of these is aimed at broadening overseas markets -- and in this we get most effective and enthusiastic help from any number of trade and producer organizations. Results have been extremely encouraging, with prospects for a new high of about \$6 billion in exports for fiscal year 1964.

Domestic programs include research to develop new products and new uses for farm products; promotional programs to help move commodities through regular channels of trade in their periods of peak supply; and a series of inter-related programs that, while chiefly aimed at improving the dietary levels of children and the needy, do have a most pronounced market expanding effect. These include the National School Lunch, Special Milk, Direct Distribution, and Food Stamp Programs.

The school lunch activity has become the largest single food service we have in the country. Aside from the undeniable benefits to the Nation's children, it is a tremendous and growing market for farm products. USDA contributes some cash and some foods that are acquired in price support and surplus removal programs, but the schools themselves purchase huge amounts of foods, in addition, right in their own communities -- about \$650 million worth this year.

About one out of every three children attending U.S. schools is getting the benefit of this program. Unfortunately, there are still many that do not have access to it -- and all too often these are the very ones who need it most. We should bend every effort to see that it is made available to them -- and when we do we will also be moving toward even broader markets for farm products.



These lunch and food distribution programs are a part of the complex of marketing programs and services which are among my direct responsibilities at the Department of Agriculture. Others include grading and inspection, marketing research, market news, market regulation, and various other programs and services, such as marketing agreements and orders, which aim at more orderly and efficient marketing and the preservation of equity to all participants in marketing, from the farmer right through to the consumer.

These are all programs and services that are in wide use in California, and I have been in close touch with the Department of Agriculture on many of them for years. At the University of California Experiment Station, for instance, we collaborated closely with the Department on many marketing research projects.

Marketing research, incidentally, at the Department of Agriculture means research which finds more efficient ways to handle, transport, store, and merchandise farm products -- better and more objective ways to measure quality and to preserve the quality of farm products as they move through the markets. It includes basic research into the secrets of cell life -- and it includes the designing of new and better wholesale markets for our large cities -- such as the one recently opened in San Francisco.

The California State Department of Agriculture works cooperatively with USDA on market news and grading programs and on marketing projects which are authorized under a special "Matching Funds" program.

These are programs that grease the wheels of our modern marketing mechanism -- making it possible to have efficient trade between California



and New York and to mass-merchandise the products of the farm as efficiently as they are mass-produced.

Inspection for wholesomeness of meat and poultry is another service -- required under Federal law for products destined for interstate or foreign commerce -- which is of benefit to farmers and consumers alike -- and to the businesses intermediate between them. Surely consumer confidence in these products, made possible by this service, has much to do with their growing markets.

I must add a word, too, about the regulatory programs that come under the heading of marketing services. These include enforcement of such Federal statutes as the Packers and Stockyards Act and the Perishable Agricultural Commodities Act -- laws that are designed to preserve the free and open, but fair, competition upon which our whole economy is based.

These are all programs and services designed to foster the efficient and equitable operation of a private commercial farm and marketing system. They are services to make our free economy work better. This is basic to all of our operations. Wherever Federal or State governments step in -- whether in production, marketing, or distribution -- it is our goal to enhance the working of the commercial system in our farm and food economy. We operate under a charter that has always charged us to serve the interest of all the public. And we think the whole Nation can take pride in the tradition that has prevailed and the record of public service that has been set.

I know that the people of this country benefit immensely from this policy of public service, information, regulation, and research. No one believes that the job is done, however.

(more)

USDA 4053-63

There are wide vistas of progress yet to be achieved in the area of production -- and we have hardly scratched the surface of possibilities for new and better ways of processing and storing foods -- new concentrates -- new methods of preservation and packaging -- improvements in ways of identifying and measuring quality -- streamlining of handling and transport.

Moreover there are new and perplexing problems to be dealt with in a marketing system that changes perhaps faster than any other element of our economy.

The U.S. Department of Agriculture is working in all of these fields -- and many, many more that I have not even touched upon -- as a part of a Government that is truly of and for the people. It is doing so because you asked it to do so -- through the legislation enacted by Congress which is the basis for all of the functions which have become the responsibility of the Department over the past 100 years.

This is a part of our heritage and our tradition -- in keeping with the guidelines laid down in an epoch-marking statute -- the Employment Act of 1946 -- which declares it "a continuing policy and responsibility of the Federal Government" to integrate its "plans, functions, and resources" in an active role in the economy -- and provides that these services of a democratic government to its citizens shall be carried out "in a manner calculated to foster and promote free competitive enterprise and the general welfare."

(more)

USDA 4053-63

This -- together with the criterion that our late President Kennedy repeatedly referred to as "the public interest" -- are the guidelines we follow in planning and carrying out agricultural programs.

We need your help and your cooperation. I am confident that we have it and will continue to have it -- just as I am confident that on sound industry and government cooperation we build our national unity and strength and -- our democratic way of life.

- - - - -

USDA 4053-63





U. S. Department of Agriculture  
Office of the Secretary

U. S. DEPT. OF AGRICULTURE  
NATIONAL AGRICULTURAL LIBRARY

FEB 18 1964

C & R-ASF

CALIFORNIA GROWERS AND THE USDA

A280.39

N1472

cop. 2

Dec. 2, 1963

It's good to be back with the home folks again. The idea of this organization -- to get to the general public an accurate and complete understanding of California agriculture -- it seems to me is a good one. We could use something like this on a national level, both for the food and fiber industries and for the governmental agencies that serve them. The U. S. Department of Agriculture, among other functions, does try to achieve a better public understanding and appreciation for agriculture and for the farmer and for processors and handlers. There is no doubt that the Department itself would serve the public well if we could facilitate full awareness of what we do.

A public agency, you know, has a very hard row to hoe in any serious and continuing effort to keep the public informed. When it describes the scope of its responsibilities and its operations, people complain about "ever-growing bureaucracy" -- often forgetting that as population grows, the economy increasingly separates the producer and the consumer and that year by year people ask more services of their public agencies. A Federal agency is forbidden by law to advertise -- but it may induce advertising-supported media like press and radio to help it reach the public with news in the public interest. Yet, sometimes, when a Federal agency puts out news releases to tell about its actions and activities, it may hear complaints about the flood of government "propaganda." When it doesn't, it may be accused of official secrecy. When it talks about its accomplishments, its actions that benefit the public, it may be accused of bureaucratic boasting. Its regulatory actions are sometimes held to threaten the "freedom" of business -- but some business people do not seem to wonder how "free"

---

Address by Assistant Secretary of Agriculture George L. Mehren at the Annual Meeting of the Council of California Growers, Palm Springs, California, December 2, 1963, at 10 a.m. (PST).

---

they would be to compete without regulation or to consider that government alone can police the rules that are necessary to maintain business freedom.

The Department of Agriculture has occasionally been accused of an excess of regulation. Yet it would be difficult -- I would say impossible -- to impose any regulation that is not sought and favored by a majority of those affected. And there are detailed procedures for the making and enforcing of rules.

All of the programs of the Department, of whatever nature, are of course in existence because of legislation enacted by the Congress of the United States directing that they be established. And the legislation, in turn, reflects the wishes of Congress' constituents -- the American people.

Changes in operating aspects of our programs are made, when not through legislation, by a process prescribed under the Administrative Procedures Act -- which provides for public scrutiny and comment on every move.

Needless to say, after a hundred years of service in a growing and changing nation, the Department now has a tremendous number of programs and services serving every human being in this land. But they have not just grown like Topsy. Each was carefully designed, by the Congress, to meet a specific need. And Congress carefully reviews each one, each year, along with its budget to make sure that they are still meeting that need -- and doing so as economically as possible, I might add.

Over the years, Congress has provided us with some most remarkable agricultural legislation -- laws which have helped the American farmer through scientific research and education to achieve his present position as the world's most productive and efficient producer; laws which have enabled us to conserve our precious resources of soil, water, and forests; laws which fostered the develop-



ment of a commercial marketing system equal in efficiency and economy to our farm production; laws which have helped to preserve free and fair competition in marketing; laws which have resulted in the world's best system of farm statistics, economic analyses and forecasts; laws which have strengthened farmers' cooperatives, provided credit to strengthen and enlarge farm operations and to bring electricity and the telephone to our far-flung rural areas; laws which have made it possible to share our abundant farm production with the undernourished and the underprivileged both at home and abroad; laws which provide for more direct services for the consumer of food and fiber than in any other Federal department -- and, of course, many more.

Perhaps quite naturally, much of this tends to get overlooked, as far as the general public is concerned, however. And attention centers on the legislation which provides for agricultural adjustment, support and control, supply management, or whatever you choose to call it. This legislation, passed during the depression of the 30's, has been used by every subsequent administration. It has been more helpful than many think, and might still be adequate to deal with problems of dislocation except for the accelerated rate of increase in productivity in recent years.

Everyone would prefer to have an economy in which these programs were not necessary. They have been one of the means of sustaining the family farm form of agriculture through periods of adversity -- and by "family farm" I do not mean the inadequate size, subsistence farm that that term seems to symbolize to some. I mean, rather, the family farm as it is defined by the Department of Agriculture-- one in which the distinguishing feature is the incentive that ownership and management of the farming operation vests in the farm family that provides most of the work. This can be, and often is, a farm of considerable size.

(more)

USDA 4028-63

The Department of Agriculture's concern for the family farm is not a concern for the romance or nostalgia of a by-gone day -- it is a pragmatic concern for what has proved to be a very efficient form of production -- one that is in the best interests of the public. Don't forget that while the Department of Agriculture provides many services for the farmer, its first concern -- like that of any other public institution -- is for the public interest. We get so wrapped up in discussing a particular problem or issue, that sometimes we overlook making this fact clear -- but nevertheless, it is the public interest that is at the bottom of every program, every service, every action taken by the USDA. By the same token, our concern for the family farm does not mean that the Department of Agriculture is against any other form of agriculture. These, too, have their place and I am sure the services of USDA have been as helpful to them as to the family farm.

The National Agricultural Advisory Commission recently put out a report called "The Family Farm in American Agriculture," which I recommend your reading if you have not done so. It makes very clear the value of the family farm and its relation to the whole agricultural economy. It notes that "The present geographic distribution of family-size and larger-than-family farms seems highly stable... There is little prospect that large farms will become less important in California, the Southwest, the Mississippi Delta, or Florida. Elsewhere, the family farm has great staying power."

It also points out that "Policy to maintain reasonable income in American agriculture is not an attempt to preserve an inefficient or anachronistic institution. The root of the farm problem is the inability of ordinary economic adjustment processes to carry the extraordinary burden placed upon them by rapid technological advance in agriculture. The difficulty is intensified by the high



efficiency of United States agriculture, the speed with which it translates innovations into more production, and its inability voluntarily to hold excess capacity idle."

The report also states that while economic adversity has fallen most heavily on operators of small farms, "the cost-price squeeze has been general throughout agriculture. In most of farming, programs to support farm income have contributed, directly or indirectly, to such income and financial solvency as the more successful competitors have enjoyed." And it goes on to predict that farm programs, by which is meant price and income programs, will continue to be necessary, as "the disappearance of many inadequate farms will not materially alter the overproduction problem confronting the more productive farms." It concludes with this statement:

"Farming operates in an economy in which substantial power to maintain prices and wages exists for other groups. Farming will need the stabilizing influence of price programs for key commodities if it is to share equitably in the product of the total economy to which it contributes so much."

From my side of the desk it is not possible to take a purely academic view ignoring the immense adjustments already made, or assuming that by ignoring the problems not yet solved that they will go away.

Secretary Freeman, testifying before the Subcommittee on Family Farms, of the House Committee on Agriculture, last July also made the point that there is "clear need for an action program so that the adequate size, efficient family farm will have the muscle necessary to compete in the market place."

This is the other side of the coin -- and this falls into the realm of my particular responsibilities at the Department.

(more)

USDA 4028-63

Just to refresh your memory on "what we've done for you lately," let me take a few minutes to review the marketing programs in operation today. These are programs, centered in the Agricultural Marketing Service -- but also located in many other agencies -- designed to facilitate the working of a private, commercial marketing system and to preserve equity in the marketing process to all participants, from the farmer through to the consumer.

Basic to all the others are the Federal standards of quality that have been developed for almost every farm commodity -- a language of trade, if you will, that is understood to mean the same thing in New York as in California -- or in Japan or England, for that matter.

For fruits and vegetables, for instance, there are some 300 standards, covering both fresh and processed products. They are widely used -- by grower-shippers and processors in their own quality control programs, and as the basis for the official Federal-State Inspection Service. Here in California, this service inspects more fresh fruits and vegetables than in any other State -- the total here last year was more than 128,000 carlots for the fresh market and more than 140,000 tons of raw products for processing. The processing commodities ranged from more than a million tons of grapes for crushing to some 600 tons of garlic.

Similar service is provided, as you know, for practically every other commodity. California meat packers make extensive use of the meat grading service. Poultry products graded or processed under official supervision in California during fiscal year 1963 included nearly 47 million dozen eggs and 224 million pounds of turkeys, plus more than 129 million pounds of other poultry and 29 million pounds of egg products. Cotton producers in California last season asked for, and got, official classing on 1.75 million bales, or 90 percent of the crop. I will spare you the statistics on the other commodities, but the totals, believe me, are impressive.

(more)

USDA 4028-63



Many of these grading programs are carried out in cooperation with the State Department of Agriculture, just as is the Federal-State market news service, which relies heavily on State manpower. The Federal-State market news service in California has been in operation for more than 30 years, and during that period the program has been expanded to include all major agricultural commodities within the State. It is a big operation in a State of big production. Because it is part of a Federal system, you get up-to-the-minute reports from all parts of the country--for instance the latest on the supply-demand situation in New York City, a most important market for California growers. Through the 19,000-mile leased teletype wire that the market news service operates, producers, traders, and processors are kept informed about prices and marketing conditions in all parts of the country. While conceivably processors and other segments of the marketing business might be able to get information they need through their own large-scale organizations, farmers would be at a sorry disadvantage without this public service. Their bargaining position, weak as it is in some instances, would be far worse.

The Federal marketing agreement and order program also helps to strengthen the bargaining power of producers. This is one Californians make good use of, too, along with State orders.

Under these programs, USDA's Processed Products Inspection Service examines all of the California date and raisin crops for compliance with industry-recommended quality standards, and also examines frozen strawberries in consumer-size containers under a State marketing order.

A high percentage of the canning and freezing plants in the State use USDA's Processed Products Inspection Service in their regular operations, paying a fee to cover the costs, as do all users of other voluntary grading programs. I think that this bears good testimony to the value of these programs in the marketing of agricultural products.

Another important service to producers, to traders, and to consumers is the regulation of marketing practices provided by USDA under such laws as the Packers and Stockyards Act and the Perishable Agricultural Commodities Act. These programs are designed to safeguard free and open, but fair, competition in marketing, guard against misrepresentation of quality, and cut the risks to which all marketing is subject.

A little known USDA marketing service is the Transportation Service which works to help secure reasonable transport rates and adequate services for farmers and shippers--and thus to help hold down the cost of producing and marketing farm products. USDA people working on this program told me just before I came out here that they have intervened in keeping with our mission for a reduction in shipping rates for corn, from the Midwest to California.

Also little known, I suspect, is the so-called "Matching Funds" program, authorized by the Agricultural Marketing Act of 1946, through which States receive help and funds in carrying out State marketing programs. California, as you might expect, was one of the first to get into this program, and the State Department of Agriculture here has made good use of it, carrying out such important projects as the development of methods of certifying and marketing virus-free fruit and nut trees and grape vines, of more accurate methods of estimating crop yields, and of better packaging, handling, and merchandising methods for a number of commodities.

Several USDA programs help to expand markets for producers and processors and help to make highly nourishing foods more widely available among those who need them most -- children and those who for whatever



reason cannot buy an adequate diet. These include the National School Lunch Program, the Special Milk Program, the Pilot Food Stamp Program and Direct Distribution Program through which foods acquired in price support and surplus removal programs are put to good use.

Among the USDA market-widening efforts is a unique program known as the Plentiful Foods Program--essentially a sustained attempt to attract and enlist the promotional and merchandising capabilities of the food industry and the support of the many channels of communication to increase the nationwide sale of specific farm products that need a boost through the normal commercial marketing system.

In recent years, some of you may recall the assistance the Department has given through the Plentiful Foods Program to California products. The activity is so flexible that we can develop either a quick, intense promotion of an item such as Imperial Valley lettuce, when combinations of weather bring an upsurge in production or an overlap of harvests from several areas...or carry out a longer-range campaign to move excessive inventories of such items as California canned freestone peaches and canned ripe olives through the regular month-to-month list of plentiful foods.

Finally, I want to tell you a little about another marketing program of very significant importance to California agriculture -- and that is the marketing research which looks into a great many marketing problems and finds ways to increase the efficiency and lower the cost of marketing. California grower-shippers, in particular, have long worked together with USDA researchers on such projects as improvement of vacuum cooling practices, more efficient use of mechanically refrigerated cars, and field trimming and packaging practices which have cut transportation costs.

(more)

USDA 4028-63

Plans for the new San Francisco fruit and vegetable wholesale market came from USDA marketing research. Marketing researchers stationed in Fresno developed a returnable wirework basket, with polyethylene liner, for short-haul marketing of poultry. This can mean tremendous savings in marketing broilers and fryers here in California where most processors sell to stores within a 200-mile radius.

Not all marketing research results are immediate, of course, but some have deep implications for the future. Just now, for instance, researchers are working east of Fresno with a 45-ton cobalt irradiation unit leased from the Atomic Energy of Canada, Ltd. They have applied dosages of irradiation to more than a dozen varieties of fruits and vegetables -- dosages that are small enough so that they won't substantially change the commodities, but high enough to control the decay organisms that might attack the produce during marketing. The procedure leaves no residue, and although it has not yet been cleared for public use, it looks promising as a means of retarding decay and supplementing refrigeration, at least to some degree. It may even have some usefulness as a killer of insects that attack dried fruits and grain.

I wish I had time to tell you about some of the other work that is going on in marketing research -- it's a fascinating field. A lot of this work is done, too, in cooperation with State experiment stations, as you may know.

These, then, are some of the services that the Department of Agriculture provides, at the direction of Congress, to enhance the working of our private and competitive marketing system -- to help hold down the cost of marketing and the cost of living. The scope of our direct services

to American consumers is not much publicized, but they affect every one of the 1,100 meals eaten yearly by our 190 million people.

We think they have worked very well. They have not been perfect, of course, any more than the marketing system they service has been perfect. But we do have today a food marketing system that works. There is no other system in the world that can approach it. It provides the consumer with the greatest variety of wholesome, high quality, dependable food that mankind has ever known. And it does so with great efficiency -- and very little waste.

We know that this system was built by private enterprise. We think that this system could not have achieved its present level of efficiency without the services, research, regulation, and education provided by the Department of Agriculture. We think that these or similar services are going to continue to be as essential in the future as they have been in the past -- if not more so. But we are facing today a difficult problem in regard to these services -- and indeed in regard to our whole marketing system for farm products.

The problem arises from the rapid changes that have taken place in marketing in just the past 20 years -- changes that have undeniably meant better services for consumers and greater efficiencies in marketing -- but at the same time raise disturbing questions for farmers and for a Government agency charged with safeguarding the interests of farmers, processors and handlers, and the public interest, and with enhancing the working of a competitive marketing system.



These are, briefly, changes in the size and number of firms engaged in processing and distribution -- and in the markets, channels and methods of transferring products. They are changes in demand as the need for ever-more dependable and uniform supplies increases. There are clear trends towards specification buying. And they are changes in organization -- new relationships between growers, processors, and distributors that result in telescoping of the various stages in marketing and bypassing of open market exchange.

The question we face is not wheather these changes are good or bad. It is a question of how our time-tested services can be adapted to meet the needs of this newer age -- or whether we will need wholly new kinds of services -- to insure that the changes already here and those to come will work in the public interest.

Unfortunately, this is a question we are not yet ready to answer. We have need of much more information than we presently have about the workings of the newer forces in the market place before we can find an answer. And so it is in this direction that we are presently directing our efforts, as are a number of State universities, various other Departments of Federal and State governments, and several committees of the Congress.

But I do feel confident that answers will be forthcoming. Services, regulation, research, and educational efforts of the Department of Agriculture will continue to serve your needs -- and those of the American people -- as effectively in the future as they have in the past. I close with a comment from our late President Kennedy who, discussing the dialogue between Scrooge and Marley in Dickens' A Christmas Carol, recently said that:



"...mankind is our business, and if we work in harmony, if we understand the problems of each other and the responsibility that each of us bears, then surely the business of mankind will prosper, and your children and mine will move ahead in a secure world in which there is opportunity for all."

- - - - -

USDA 4028-63



7280.37  
M472  
U.S. Department of Agriculture  
Office of the Secretary

Nov. 25, 1963  
cop 2  
Just about one year ago, Under Secretary Charles Murphy stood before you, as I am standing, and discussed the prospects for new cotton legislation. He said then that prospects appeared to be excellent.

Well, Mr. Murphy has proved to be a pretty good prognosticator -- we have indeed seen a good deal of progress in the intervening 12 months.

Your distinguished executive vice president, Harvey Adams, I hear, has announced his retirement, and I would like to take this opportunity to pay tribute to him for his invaluable contributions to American agriculture. His leadership not only in this organization but also in the American Cotton Producer Associates has done much to promote research on cotton production. He has taken the lead on programs to increase domestic use and exports of cotton. And I know that you particularly appreciate his efforts to increase mill demand for Delta cotton.

He has also, of course, rendered valuable service as a member of the Department of Agriculture's Advisory Committee on Cotton -- a group that has done a great deal to assist in dealing with cotton problems.

---

Address by Assistant Secretary of Agriculture George L. Mehren at the 24th Annual Meeting of the Agricultural Council of Arkansas, Hotel Peabody, Memphis, Tennessee, Monday, November 25, 1963, 4:00 p.m. (CST).

---

FEB 18 1964

U. S. DEPT. OF AGRICULTURE  
NATIONAL LIBRARY

C & R-ASF

That cotton has its share of problems, no one would deny. And yet it is one of the most progressive of all agricultural industries. In terms of advances in production techniques, in quality measurement, and in manufacturing -- few other commodities can approach it.

This year, for the first time, cotton production in the United States will average more than a bale to the acre, if present indications are accurate. Year by year, through the combined efforts of producers, plant breeders, ginners, engineers, fiber and textile technologists, and cotton dealers, U.S. cotton meets the ever more exacting demands of advancing technology in the textile industry -- and at least seems to have recognized and adjusted to the competition of other fibers.

In world trade -- so important to the whole American economy -- cotton is the only one of the many farm commodities that we export to have the advantage of universally accepted standards of quality.

As far as cotton producers are concerned, their interests are well served through the official classing service provided by USDA at their request. Cotton produced by farmers in Arkansas is classed under the Smith-Doxey program at our classing offices in Little Rock and Blytheville and of course also here in Memphis. In the 1962 season about 1,450,000 bales, or practically the entire production in the State, was classed. Harvesting and classing in the State this season is now 90 to 95 percent



complete, and again practically the entire crop is being classed.

Latest development in quality measurement is the micronaire reading service, which promises even better quality control in processing and an even better guide to production of the highest qualities. As you know, this service was offered on a belt-wide basis for the first time this year, and I'm told that it was obtained on about 15 percent of the crop here in Arkansas on this first opportunity.

The U.S. Department of Agriculture and the State universities devote a great deal of research to the problems of cotton production, processing, handling, and marketing. And they provide services ranging from the Extension agent in almost every county to the agricultural attaches in foreign countries who work on market development overseas.

Yet, despite all of this, cotton as much as any other agricultural commodity faces serious problems -- a fact that is hardly necessary to point out to you. However, while some of cotton's problems are unique -- such as the competition it faces from man-made fibers -- many are common to the whole farm economy.

They are problems, really, that arise from a century of progress in agricultural production and marketing -- but most particularly from the astounding progress of the last two decades.

They are problems relating to the fact that now only 8 percent of our people live on farms -- though an increasing

(more)

USDA 3947-63

number are required to process and market the products of our farms and to supply the tools of production used on farms.

They are problems relating to the increasing urbanization of our country, automation, mechanization, specialization -- and all the other "zations,"

They are problems, in short, that relate to -- and cannot be separated from -- the whole vast change in our national economy -- and in our way of life.

It has become a cliché to say that we live in an age of abundance. Nevertheless, this is a blessing and at the same time a problem that has not been fully faced by many. We have an abundance of the products of both farm and factory -- but it is an abundance that is produced by fewer and fewer people. Every indication is that this is a trend which will continue. It is said, for instance, that of the boys who are growing up on farms today, only 1 in 10 can expect to have an opportunity to make a decent living as the operator of an adequate family farm when he is grown. While on the surface our excess or surplus abundance is concentrated in a few commodity groups and areas, its effects on the food and fiber industries are widespread.

This is both good and bad. It is good because it implies -- and indeed has meant -- greater productive efficiency. One farmer in 1940 produced enough to feed and clothe 10 people;

this year the number is 29 -- nearly triple -- and the end is not in sight.

But it is bad in that the rapid social, educational, and economic readjustments this technological revolution on the farm requires are not so easily come by. And perhaps the real trouble is that other parts of the economy have not adjusted as fast as agriculture. It holds meaning, too, for programs designed to maintain farm income at an equitable level in the interest of the nation at large. When 92 percent of our people are non-farm and are enjoying an unparalleled standard of living, they and their representatives in legislative bodies may not have adequate understanding of -- or perhaps even patience with -- the complex problems of the farm and farm income.

If, as is possible, if not probable, income problems result in drastic and perhaps ultimately undesirable changes in American agriculture, 92 percent may very well shrug and say, "What of it?" -- little realizing any of the possible consequences.

Just recently -- on November 12, to be exact -- the National Agricultural Advisory Commission put out a report on "The Family Farm in American Agriculture" which contains as good an analysis of the problem as I have seen.

Let me read you just a few excerpts from this report:

(more)

USDA 3947-63



"The family farm remains the backbone of American agriculture because it has shown remarkable capacity to adapt to new methods and markets in a dynamic economy.

"Policy to maintain reasonable incomes in American agriculture is not an attempt to preserve an inefficient or anachronistic institution. The root of the farm problem is the inability of ordinary economic adjustment processes to carry the extraordinary burden placed upon them by rapid technological advance in agriculture.

The difficulty is intensified by the high efficiency of U.S. agriculture, the speed with which it translates innovations into more production, and its inability voluntarily to hold excess capacity idle.

"Economic adversity has fallen most heavily on operators of small farms...But the cost-price squeeze has been general throughout agriculture. In most of farming, programs to support farm income have contributed, directly or indirectly, to such income and financial solvency as the more successful competitors have enjoyed."

The Commission report makes it clear that commodity programs, rather than being relief or social welfare programs, have been and are necessary for efficient farms with reasonable levels of capital investment. They are helpful to the small, inadequate size farm, but they are not designed for that purpose.



But the Commission takes pains to point out that certain other developments pose problems for the family farm and for its continuing contribution to the nation.

"The investment required in a well-organized family farm," the study states, "has grown to the point where acquisition of ownership by the succeeding generation of farmers is even more difficult than it has been in the past. The net income of farm families has become a smaller proportion of income from marketings as purchased supplies and machinery have played a larger part in production; family incomes are more vulnerable than formerly to the effects of sharp price declines or crop losses resulting from adverse weather."

I know that this rather general statement is as applicable to cotton producers as others. I just recently saw figures that indicated the cost of machinery for a 600-acre Delta plantation had more than doubled in slightly over a decade. During the same period, USDA figures indicate, efficiency in producing a bale of cotton increased by 20 percent -- meaning that it took that much less land, labor, power, and other materials required to produce a bale. But this gain was not translated into more profit for the producer -- it was wiped out by increased prices paid for the same inputs.

The Commission report makes another point that holds a great deal of significance and I would like to read that to you, also:

(more)

USDA 3947-63

"Mass merchandising methods in food distribution have created markets in which buyers demand large volumes of uniformly good quality from producers ...

Some marketing functions once performed on the farm

have been moved beyond the farm gate to processing

and distribution industries ... In some instances,

processors are integrating entire production operations

with their nonfarm operations. In others, suppliers

are performing a large part of the production function

under contractual arrangements. Possibly future

developments in this area will take the form of close

working relationships between independent farmers and

business firms, but disappearance of farm production

as a distinct and separate operation is conceivable

in some cases."

In other words, forces entirely unrelated to the efficiency of the owner-operated farm -- vertical integration, contract farming, and the growing dominance of the retailing sector of the food business -- may well endanger the continued existence of this American institution.

Until recently, food and fiber were assembled, processed, and distributed to consumers almost entirely through a series of open markets -- in which enterprises in different segments were unrelated and in which price alone was the major determinant of utilization of agricultural production.

But in the years since World War II, the terms of transfer of products from growers to processors to distributors to consumers have changed more than in all the years before. At the same time, the last two decades have seen more progress in the techniques of marketing -- and of processing -- than in the whole previous history of agricultural marketing. Benefits to consumers have been undeniable. The efficiencies of our marketing system -- coupled with those of farm production -- are the major reason that American consumers today are the best fed for the least real cost anywhere in the world.

We would be foolish, however, to suppose that the functions of the Department of Agriculture can or will remain static in the face of these continuing changes.

Our whole way of life is, in fact, built on a market economy and President Kennedy not long ago reminded us of the benefits we derive from our free market system, calling it a "vital underpinning" of our democracy.

"A market, of course," he pointed out, "is not a fact of nature. It is a creation of man, and as such we have no guarantee that it will work effectively and impartially if we pay no attention to it.

"We must encourage and protect the availability of full information, safeguard competition, and extend freedom of opportunity to individuals and business to participate fully in the economy in accordance with their desires and their abilities."



What about the responsibilities of the Department of Agriculture in the face of these broad changes that are sweeping our economy from the farm right through to the consumer? The responsibilities of the Department -- mostly given by the Congress -- are indeed far-reaching. They extend to every facet of our farm and food economy. And they require, in many cases, the forging of new instruments.

This Administration early decided that farm problems today demand a commodity-by-commodity approach. This takes time, but it is beginning to show results. For the whole country, gross farm income in 1962 was \$2.9 billion above 1960. Rising farm costs ate into this sharply, but even so net farm income in 1962 was \$900 million above 1960. We expect a slight decline this year. Unfortunately, the outlook for 1964 is not as good. The principal reason for this is the likelihood of lower wheat prices. With marketing quotas not in effect for the first time since 1953 both cash receipts and Government payments for wheat will be sharply lower in 1964. This, in combination with the persistent increase in farm production expenses, points to a decline in realized net farm income. Income of most farms next year should be as good or better than in 1963, but not for farms when wheat is a significant item.

Devising a program for cotton, as no one knows better than you, is a real problem. We need at one and the same time to reduce cotton prices to domestic users, to maintain the income

(more)

USDA 3947-63



of cotton farmers, and to keep the costs of the cotton program to the Government within reasonable limits.

The pending legislation represents, we believe, a workable compromise between these objectives. In order to have new legislation, all interested groups must be prepared to accept something less than would be ideal from their standpoint. But with the proper spirit of compromise on the part of all concerned -- and an understanding of the national interest at issue here -- there is good reason to hope for enactment soon of effective legislation that will help substantially to alleviate the problems of the cotton industry.

Now, as I said, there is no doubt that commodity programs, adjusted as necessary to changing conditions and problems, are going to continue to be necessary if adequate family farms are to receive reasonable returns during a period of rapid and massive technological change.

But the new agricultural policy that is gradually emerging in response to the broader needs of our whole economy is, in turn, much broader than commodity programs alone. We are recognizing the need to make full use of our resources, both natural and human, in rural America. One approach to the problem is the Rural Areas Development Program which offers a wide range of USDA programs and services designed to assist the rural community and the farmer to expand the range of job and income opportunities -- to revitalize and recapitalize town and country.

(more)

USDA 3947-63

This program has implications for city and country people alike, because a viable rural economy and the full use of its resources benefit the entire Nation. We think the scope of rural economic development demands a leading role on the part of the Federal Government. But it can succeed only with the initiative and leadership of local people. The work requires investment capital and the help of commerce and industry, and the resources of State and local government, as well.

This effort to facilitate full use of our resources is an exciting and challenging program which, to accomplish results commensurate with the need, will require the dedicated efforts of many people. It is already, however, gaining momentum. It is creating jobs. It is getting people started on plans and projects that will create many more jobs and more income for rural America, and in consequence, help strengthen the economy at large.

If we are indeed shaping new agricultural policy in this country -- as I believe we are -- what then will be the role of the traditional marketing services provided by the Department of Agriculture, often in cooperation with the States?

I suggest that services to promote foreign trade -- in which the Cotton Council and others cooperate so effectively -- will become more vital than ever before. Exports have always been important to our cotton industry -- they are becoming increasingly so for other commodities as well. While it is true that in some

(more)

USDA 3947-63

cases we cannot compete with other countries on price without drastically lowering our price structure, we can compete with them -- and beat them, in almost every case -- on quality. And I think we will look to USDA services to help improve, maintain, and certify quality for export just as we have done for so many years in domestic trade.

We are convinced that we have in this country a commercial marketing system far more advanced than that of any other nation. It is basically a product of private business enterprise; yet it could not have developed without the services, regulation, and research of the Department.

From any angle it is considered, the agricultural marketing process is one of the major sectors of our economy today. It employs twice as many people as on-farm production. It costs the consumer twice as much. The powerful influence which agricultural marketing can have on our whole economy, and its special importance to the daily lives of every American, helps to explain why the Department's responsibilities in this phase are so important -- and are increasingly more so.

It seems to me that in the face of the changing market structure, on which the National Agricultural Advisory Commission comments in its report, the services of the Department may be different in the future but they are going to be more, not less, necessary than ever before. Both farmer and consumer -- increasingly separated by both distance and function -- have become



more dependent upon the marketing system. The Department's role as the "referee" and the protector of the public interest, therefore, becomes ever more critical.

But the question as to whether the services and the regulations -- many of which were designed to fit a system operating 20, 30, and even 40 years ago -- are invariably appropriate and effective to meet the needs of today and tomorrow remain to be answered.

One point is clear. If we are to redesign the marketing programs now in operation, we have need of much more information about the changes that have occurred in marketing -- their dimensions, their implications, their causes, and their likely effects. We are presently directing our efforts toward this end -- as are many State universities, other Departments of the Federal and State governments, and various committees of the Congress.

We think that this effort is essential. For what is at stake is more than what is commonly called the "farm problem." It is the kind of farming and food industry we want to have -- the very shape of the American economy. And the issues involve the continued prosperity of commercial family farms in all parts of American agriculture.

We are not seeking to turn back the clock. But we must recognize that changes in technology and in organization require changes in economic and political institutions. And we must face and deal with them at the full stretch of our moral commitment, our energy, and our resources.



U. S. Department of Agriculture  
Office of the Secretary

H280.39  
M472

PUBLIC SERVICES OF THE USDA

Oct. 31, 1963  
cop. 2

It is an honor -- and a pleasure -- to take part in this 16th annual convention of Pennsylvania Soil Conservation Districts.

I'm told that "Pennsylvania has everything" -- that even Rudyard Kipling paid tribute to this State with the lines:

"The things that truly last, when men and time  
have passed,  
They are all in Pennsylvania this morning."

And he was right. It was here William Penn laid the foundations of an experiment in government that proved a well-spring of modern democracy. In Pennsylvania there was no policy of Indian extermination, no exiling of religious dissenters, no witch burning, no barriers of race, religion, politics, or class to hinder the development of security, freedom, and happiness.

Today you enjoy that priceless heritage and are living witness to the fulfillment of those concepts and ideals. In more than name has Pennsylvania been the Keystone of the Union. Its contributions to the Nation have been -- and continue to be -- immense.

Not the least of these contributions are those that you have made as part of the conservation movement. I congratulate you for your work in helping to conserve and improve our precious resources of soil and water -- and people. This State and the Nation owe all of you a great deal. You have played a leading role in the greatest success story of our day.

Address by Assistant Secretary of Agriculture George L. Mehren at the 16th Annual Convention of Pennsylvania Soil Conservation Districts, Summit Hotel, Uniontown, Pennsylvania, November 13, 1963 at 6:30 p.m. (EST).

Nothing -- not our achievements in space, not our automobile industry, nor our numberless household gadgets -- nothing is so impressive to the rest of the world as the fact that less than 8 percent of our population can produce such an abundance of food and fiber that we have not only all we can use at home, but plenty to share with others.

Only in America is this magnificent achievement taken for granted.

Another thing taken for granted here -- and that is the envy of the rest of the world -- is the commercial marketing mechanism that takes the products of our farms and processes them, ships them, stores them, and merchandises them with such efficiency and dependability that most of us can simply count on buying whatever we want -- whatever the season of the year, wherever we happen to be.

These two achievements -- efficient production on our farms and efficient distribution of farm products -- combine to give American consumers the best bargain in good eating ever known. But more than that, they provide the solid foundation for our whole national economy and our way of living.

How did it happen, we might well ask, that we are now in this enviable position of leading the rest of the world in the production and distribution of food and fiber?

I suggest that the answer lies in the unique form of government set up by a group of 55 men who met in Philadelphia in the summer of 1787. The Federal Union they devised unites a land spanning a continent 3,000 miles across and a people numbering more than 190 million, under a National Government charged not only with regulating but promoting interstate commerce. The advantages of this

(more)

USDA 3721-63

vast national market are so great that even the ancient lands of Europe now seek to emulate them through the device of the Common Market.

The answer lies also, I think, in the public policy for agriculture in this country. This has always been, since the beginning, to provide farm products at lower real costs. It still is.

By deliberate early choice, the United State committed itself to encouraging an efficient agriculture of independent units -- what we have come to call the family farm. This institutional form has proven itself. It is far and away more efficient and more productive than any other.

Our history is one of actions in support of the family farm and of our policy of providing plentiful supplies of food and fiber at reasonable cost. Opening up of new lands, reclamation, irrigation, and soil and water conservation have added to our ability to produce farm commodities at lower cost. So have the broad programs of research, education, and services undertaken by both Federal and State Governments and Land-Grant universities.

Last year we marked the centennial of three institutions dedicated to our longtime national policy for agriculture: The Homestead Act which granted free land to farmers who would farm it, the Morrill Act providing for Land-Grant colleges, and third, the establishment of the U. S. Department of Agriculture.

This year, we are observing the 50th anniversary of the start of organized marketing work within the Department of Agriculture -- the establishment of the Office of Markets in 1913. This, too, came about as a result of the policy to provide larger supplies of agricultural commodities at lower costs.

(more)

USDA 3721-63



Up until that time, the Department had been overwhelmingly concerned with the problems of production -- helping farmers increase their production -- and to do it more efficiently and at less cost. But as the cities grew, more and more food moved through the marketing system, instead of directly from the field to the dinner table. Urban consumers complained about the high cost of living and blamed farmers for it.

One of the leading farm organizations of the day urged the agricultural colleges to establish courses in marketing. And it urged the Congress to organize and expand marketing work in the USDA.

Through the years since then, the marketing system for farm products has taken on increasing significance to farmers, to consumers, and to the millions who are engaged in marketing work. It has become a more and more significant part of the cost of farm products -- now accounting for about 62 cents out of each dollar spent for food -- and more for non-food farm products. And marketing employs about twice as many people as on-farm production.

Accordingly, the Department of Agriculture is giving an increasing amount of attention to marketing -- to ways to make it more efficient and less costly -- and ways to assure equity to all participants, from farmer to consumer.

I'm sure that many of you here have reason to know about -- and to appreciate -- some of this work. Whenever you market the products of your farm, you are likely to make use of some USDA marketing services. Many of these services are operated cooperatively with State departments of agriculture. Cooperation is given, too, by industry, by State Experiment Stations, and by farmers themselves.

(more)

USDA 3721-63



These are services to make our free economy work better -- the philosophy that is basic to all of our operations. Wherever Federal or State Governments step in -- whether in production, marketing, or distribution -- it is to enhance the working of the commercial system in our farm and food economy. We operate under a charter that is broad and eloquent in charging us to serve in the interest of the public welfare.

The people of this country, you and I and all the others, are the beneficiaries of this policy of public service, research, education -- yes, and regulation, as well. This, too, is one of the major reasons we today lead the world in the production and distribution of food and fiber -- and enjoy the standard of living we have achieved.

Few consumers seem fully to appreciate the fact that the services of USDA benefit them every bit as much as they do farmers, perhaps even more. Yet in addition to all those services which benefit them indirectly -- such as the conservation work of which you are such an important part, the research, the credit programs, and all the others that you know about -- in addition to all of that, the Department conducts more direct services for consumers than any other department or agency of the Federal Government.

Some of the consumer services are in the field of research -- on food and nutrition, clothing, fabrics, housing, and home equipment. Some are in the recreation facilities provided through the National Forests and through the Small Watershed Program. Still others are in credit services, such as those rendered by the Farmers Home Administration which helps finance rural housing as well as farm operations.

(more)

USDA 3721-63

And all of the marketing services provided by USDA and cooperating State agencies are of direct benefit to consumers, as well as to farmers, and to those engaged in marketing.

These include such services as the Federal standards of quality that have been developed for every major farm product. And the grading services which employ those standards to provide an impartial certification of quality and facilitate buying and selling all the way from the farmer to the housewife in the supermarket.

They include inspection of meat and poultry to assure the wholesomeness of these important perishable foods. And the Federal-State market news reports, as well as crop and livestock estimates, to help keep everyone informed through the whole marketing process and thus help keep that vast, complex system operating on an even keel.

They include regulatory programs -- such as those carried out under the Packers and Stockyards and Perishable Agricultural Commodities Acts -- to assure fair dealing and open competition in the marketplace. And they include surplus removal programs and marketing agreements and orders to help stabilize markets for farmers' most highly perishable products -- such as fluid milk and fresh fruits and vegetables.

Marketing research is another important service to farmers, to consumers, and to everyone in between. This is research to find better and less expensive ways to handle and transport farm products and to measure and maintain their quality on the way from farm to consumer.

(more)

USDA 3721-63

Some outstanding examples of this work are right here in Pennsylvania. The new Philadelphia wholesale market, for instance, was developed from plans prepared by USDA marketing researchers. This is also a good example of what marketing research can mean to non-agricultural segments as well as to farmers. Millions of dollars are saved annually in the handling of food products in the new and much more efficient market -- savings in time and handling costs as well as savings from reduced waste and spoilage. In addition, I'm told that Philadelphia has added millions to its tax base through the change from the old to the new market. The new market was built on land that was formerly swamps and dumps -- and on the site of the old market in the Dock Street area, new high-rise apartments have been built.

Plans have also been drawn up for new marketing facilities for the city of Pittsburgh and, hopefully, similar benefits could be realized there.

There is much, much more going on in marketing research -- like the development of instruments that can "see" inside of fruits and vegetables and "feel" their ripeness, new ways of protecting against insects without the use of chemicals, even basic research into the secrets of cell life -- but that's another story in itself.

In addition to all this, USDA also provides ways to make effective use of farm abundance, to help improve national dietary levels, and to expand present and future markets for food.

Some of these activities are geared particularly to help the people and the economy of depressed or needy areas -- the Pilot Food Stamp and the family food donation programs, for example. Others -- the National School Lunch and Special



Milk programs -- have a broader role that is not basically associated with "need." However, over the past two years, with the help of State and local school officials, we have moved forward in getting lunches and milk to more and more youngsters in schools where economic conditions and lack of facilities had previously made it impossible for them to enjoy benefits of these programs.

The food stamp program merits special mention here in Pennsylvania, where Fayette County was one of the original eight areas in which we initiated this new approach in mid-1961. During the past year, the program was extended to the city of Pittsburgh, and to Cambria and Luzerne Counties, along with some 40 other areas throughout the Nation. The pilot operation is so constructed that it gives low-income families additional purchasing power for food only, and thus means "new" or additional dollars pumped into the economy of the area. It also means more and better food for participating families, which in turn means expanded markets for farmers.

In the Keystone State, the Federal contribution for food stamp coupons since 1961 totals more than \$7-1/2 million dollars -- dollars that moved into and through commercial channels in addition to the \$22 million dollars that the 75- or 80,000 food stamp recipients spent for food out of their own money.

Fayette County was one of the areas we studied and researched rather extensively, to find out what the food stamp program accomplished, both for the recipients and for agriculture. We found, in general, that the additional food money went for more meat, poultry, milk, eggs and fruits and vegetables. Which means, of course, better diets and more demand for the products that use the high-resource capacity of our Nation's agriculture.

(more)

USDA 3721-63



We are hopeful that the Congress will shortly make it possible to extend this food stamp effort to more areas of need.

The family donation program serves to make good use of Government stocks of farm products acquired in price-support and surplus removal operations. Presently, about 5-1/2 million low-income and needy people are receiving this help nationwide through State and local welfare agencies. And in Pennsylvania about 600,000 individuals in family units are getting these commodities -- chopped meat, cheese, butter, corn meal and wheat flour, rice, dry milk and so on -- that provide valuable supplement to the rations that many of our families -- the unemployed, the elderly, the disabled -- can afford out of their meager incomes.

The lunch and milk programs have wide acceptance in Pennsylvania as elsewhere. In fact, this State is among the top two or three States in terms of participation by youngsters in the National School Lunch Program, which is currently helping to provide a hearty noon meal for about 16 million children across the Nation. Here is an exceptionally fine example of Federal, State and local cooperation that nets a return not only in the health and well-being of children, but also is a significant boost to local markets. In total, the slightly more than \$100 million Federal cash contribution turns up as more than \$600 million in the food market every year. In addition, schools also make very effective use of our donated foods.

These are not all of the USDA's services by any means. But this sampling, I hope, gives some idea of the range and scope of the work performed on the marketing side and the services rendered not just to farmers but also to consumers, to businessmen -- to everyone. Most of these marketing services have grown up during

(more)

USDA 3721-63

the past 50 years in response to needs for greater efficiency and economy in marketing -- needs to protect against fraud and preserve competition -- needs to improve the bargaining position of farmers.

These needs -- as you well know -- still exist today -- though perhaps in new forms. And so we must and we do continue to revise and adapt these services to meet today's needs -- and where necessary provide new ones.

We will continue to fulfill our charge to serve the public interest. This does not mean that we will provide less research and aid in production -- on the contrary these have been basic to the successful agriculture that sustains our country -- and they will continue to be. What it does mean is that we will give more attention, I think, to the other forces that affect farm production and have such a telling effect upon the lives of all our citizens.

The Department of Agriculture of the future will become even more the "people's department" that Abraham Lincoln termed it at its inception. And I am confident that the work of this great Department holds much promise -- combined as it is with yours, with that of many State and local institutions, and with the initiative and resourcefulness of the American people. It is a promise of a world free from the fear of hunger -- and for that reason perhaps a world where the ideals of those who established the City of Brotherly Love will at last reach fruition for all.

U. S. DEPT. OF AGRICULTURE  
- NATIONAL AGRICULTURAL LIBRARY  
FEB 10 1964  
C & R-PREP.

U.S. Department of Agriculture  
Office of the Secretary

7280.39  
M472  
002.31, 1963  
cop. 2

TRENDS IN USDA MARKETING AND CONSUMER SERVICES

It's a pleasure to return to the academic world again -- if only for a day. I hope I won't lose my standing in this august society if I present something less than a learned paper today. Adolph Berle, Jr., a few years ago remarked that "college presidents and classroom professors...have moved from staff headquarters to the firing line." He charges government and the universities with the responsibility for what he says is the single choice open to us as a Nation: renaissance or regression.

I believe that this Administration has faced and accepted this challenge -- and that battle has been joined in full by the universities. This holds true, as well, for the subdivisions we call the U. S. Department of Agriculture and the Land-Grant universities.

For exactly one century, these two great institutions have worked well and closely together. Their missions have been complementary. In a very real sense, the research work in agriculture of Land-Grant colleges has been integrated with the work of the Department of Agriculture from the beginning. In recent

---

Address by Assistant Secretary of Agriculture George L. Mehren before the Division of Agriculture of the Land-Grant College Association, at the Annual Meeting, Morrison Hotel, Chicago, Illinois, November 12, 1963, 4:00 p.m. (CST).

---



years, new types of collaboration between our two groups have developed. Together, they have contributed greatly to the development of this Nation.

Now, they face together some new challenges. Over the years, both the Land-Grant universities and the U. S. Department of Agriculture have made substantial adjustments. Yet, it is clear -- without criticism -- that both institutions face a difficult task in discharging their missions in a context of accelerating change.

It is not necessary to repeat the broad dimensions of change that have occurred in the farm and food economy over the past two decades. Suffice it to note that output is some 50 percent greater, and the input of labor at the farm level is some 50 percent lower. The farm population has declined in numbers. The food and fiber industries have grown greatly. There are about twice as many people employed in the marketing sector as in farming itself. Farmers are now less than 8 percent of the total population -- a total population that now stands at more than 190 million and grows at the rate of 7,400 a day.

Despite these changes, the basic missions of the Land-Grant universities and the U. S. Department of Agriculture are unchanged. Both of us are charged to develop new knowledge through research, to make such knowledge available through education and extension, and where we can to provide appropriate public service.



The relative emphasis on these goals differs between us. The scope of activities now underway in the Department of Agriculture clearly indicates that our mission is being served well. Yet, and perhaps especially with respect to the marketing activities of the Department, continuing appraisal of our own programs is clearly necessary to assure that our mission will be met as well in the future.

This year is the 50th anniversary of the establishment of the first organized marketing service within the Department of Agriculture. This was the Office of Markets -- forerunner to today's Agricultural Marketing Service. It was brought into being at the request of farm organizations and others who urged the Congress to get marketing work established in the Department and urged the colleges to establish chairs and courses in marketing.

James C. Malin, in a paper describing the events leading to the establishment of the Office of Markets, notes that advocacy was based on both consumer and farmer interests. Congressman Wickliffe of Louisiana introduced the first bill in August 1911. It called for an agency to "make diligent investigations...especially with regard to...the fairest and most direct method by which farm products may reach the consumer from the producer..."

(more)

USDA 3719-63

Another bill introduced by Congressman Beall of Texas wanted information to be obtained on marketing systems in use, including cooperative marketing; on demand in various trade centers; and on facilities and plans to help farmers obtain "the best possible price for their products."

Marketing work as it developed in the Department over the past 50 years has served many interests. None has benefited more -- nor perhaps been less aware of it -- than the consumer.

The fact that American consumers today enjoy the best and most varied diets in the world for a smaller percentage of their income than ever before is due in no small part to the research, the services, and the regulatory programs that aided and abetted the development of the finest commercial marketing system in the world.

The growth of these programs has paralleled the growth of the marketing functions themselves. They developed in response to needs for greater efficiency and economy in marketing -- needs to protect against fraud and preserve competition -- needs to improve the bargaining position of farmers.

Let me take just a minute to outline the range of the programs and services operating today.

(more)

USDA 3719-63

Basic to all others are the Federal standards of quality for every major farm product -- nationally uniform specifications that have made it possible to develop mass merchandising techniques in the food trade -- and to transact business across a Nation that stretches for 3,000 miles.

Grading services which employ these standards provide official, impartial certification of quality. They have meant tremendous savings in time, energy, and money in national and international trading. Grades are also a boon to consumers -- available to them for no other commercial products -- in selecting the qualities they desire and in comparing quality and price. And of course they aid farmers in producing the kind of products consumers want and in meeting the needs of mass merchandisers.

Federal inspection for wholesomeness of meat and poultry is a vital consumer protection service -- but it is equally important to farmers and the trade in building markets at home and abroad for these products.

A nationwide Federal-State market news system provides daily -- even hourly -- reports on going prices, supplies, and demand at all major markets and production areas. This not only helps put farmers on more equal footing with the buyers of their products, but it also helps direct products to the markets where they're needed -- preventing unnecessary gluts and shortages, and

thereby helping to stabilize prices to consumers. This is in addition, by the way, to an extensive range of economic analyses and forecasts and the world's most comprehensive system of crop and livestock statistics.

Regulatory programs -- in the marketing field -- are designed to help preserve the free and open competition upon which our economy is based -- and to safeguard the financial interests of farmers, traders, and consumers. These programs are based on four major laws: the Packers and Stockyards Act, the Perishable Agricultural Commodities Act, the U. S. Warehouse Act, and the Federal Seed Act.

Marketing agreements and orders, although born in the depression of the 30's, have reached their period of greatest development in the post-war years. There are now 45 agreements and orders for fruits and vegetables, covering products worth more than a billion dollars, and 83 milk orders, regulating the marketing of two-thirds of all Grade A milk sold. These unique voluntary programs have aided producers and producers' cooperatives greatly in stabilizing the markets for their most highly perishable products -- and in improving their bargaining position. And for that reason, they offer consumers assurance of a stable supply and price for the products so regulated.

(more)

USDA 3719-63



Food distribution programs of the Department also had their start in the depression years, and they, too, have received rising attention in recent years. Though they were originally conceived chiefly as a means of disposing of surpluses, their aim now is that of improving nutritional levels of school children and those who are unable to purchase an adequate diet. Even so, the programs still serve the dual purpose of expanding present and future markets for farm products -- just as do our Food for Peace activities abroad. A third of the Nation's school children now take part in the school lunch program -- and nearly 6 million Americans currently receive USDA-donated foods or participate in the Pilot Food Stamp Program.

Marketing research to find better ways of handling and transporting farm products and of determining and protecting their quality is work in which State experiment stations share to a large degree.

This work was given new force and direction by the Agricultural Marketing Act of 1946 in which Congress wrote out a goal of bringing the same scientific approach to solving marketing problems that has been so successfully employed since 1862 in solving problems of production.

(more)

USDA 3719-63

The Act also named the intent of Congress to provide for continuous research, Federal-State cooperation in marketing programs, and an "integrated administration of marketing research, services, and regulatory activities."

This integrated administration has been achieved in the Agricultural Marketing Service -- and has brought research to bear on the pressing problems associated with the action programs of inspection and grading.

The matter of quality evaluation -- of finding better, more accurate, more objective and faster means of measuring the factors that determine the desirability and value of farm products -- is becoming ever more critical. The mass merchandising system that characterizes our modern farm and food economy calls for a high degree of precision, if not perfection.

So in this, as in all of the marketing programs of the Department, adjustments are being made to keep pace with those occurring in the marketing system.

This has been characteristic throughout the development of marketing services -- and necessary. None of these services just happened. Each, as I have said, was developed in response to a need -- a need that Congress responded to by enacting the laws, some 30 of them, that now form the legal basis for the marketing services, research, and regulation that I have been describing.

Until now it has been possible to keep these services attuned to changes taking place in marketing bit by bit, as changes arose. In many cases, the changes were made on the basis of research to which the State universities contributed a great deal. They were seldom made without widespread -- and sometimes acrimonious -- debate, but this is proper and to be expected when financial interests are directly affected.

But the time has now come when looking at the individual pieces as we have been doing is not enough. We must supplement this approach with a broad over-all view. We have had no real occasion for such a detached survey since the passage of the 1946 Act. And the changes that have occurred in the intervening years have been not only extensive but deep.

Wholly new forms of marketing organization, and new relationships between farmer, processor, and distributor, have arisen. While much of the old system that we have been serving still remains -- new and little-understood systems have grown up alongside.

In this context, marketing services and services to consumers take on a new significance -- and adjustments to them take on a new urgency.

We are all in this country much given to statements about the value of pure competition. But pure competition is a textbook concept. It has never existed. There has always been need for some measure of government regulation and of government service in order



that free and efficient markets exist. The degree of market perfection in the food industry has been enhanced immensely by accurate market news, by inspection and grading, by research, and by the development of accepted rules of commercial practice and trading.

There is little issue that the American food economy, and the entire company, for that matter, could not have developed without these regulatory and service functions of the Department.

Yet, we must face the fact that many of our programs developed decades ago when the food economy was greatly different from what it is today. These programs have been adjusted as the need arose and could be translated into a change in regulations or a change in grading standards.

By trying to adjust to the entire scope of change in the marketing scene is a different matter. It is partly a matter of gaining perspective. In some respects, we are like the blind men trying to describe an elephant. The picture is so big, it is indeed difficult to see beyond its individual parts.

So, we are aware that the first step is carefully and responsibly to determine what changes have occurred. We shall try to determine why these changes have occurred and whether or not our mission to provide rules of trading and to provide services for trading are presently being met as well as our resources permit. This does not involve policy designed to alter or constrain the changing food industry of this country.



Yet our responsibility to serve the public interest requires us to ask whether we need new services, new regulations, or perhaps even new laws.

We know that answers to these questions will not come easily -- but they must come soon if we are effectively to continue to provide the government services that are clearly essential to the continued development of a competitive enterprise system in the food industries.

State universities will play an important role in helping to supply answers -- as they always have.

President Kennedy has said that "every great age is marked by innovation and daring -- and by the ability to meet unprecedented problems with intelligent solutions. In a time of turbulence and change, it is more than ever true that knowledge is power, and only by true understanding and steadfast judgment are we able to master the challenge... If this is so, we must strive to acquire knowledge -- and apply it with wisdom."

I think that sums up pretty well the point I am trying to make. Government today looks more than ever before to the universities for the wisdom of the long view -- and the U. S. Department of Agriculture looks more than ever to its long-time association with the Land-Grant universities for the knowledge and the perspective that is essential to meet the problems and the needs of today -- and tomorrow.

U. S. DEPT. OF AGRICULTURE  
NATIONAL AGRICULTURAL LIBRARY  
FEB 10 1964  
C & R-PREP.

THE CHALLENGE OF ABUNDANCE

7A280.39  
M472  
Oct. 31, 1963  
copy 2

This is my first opportunity since becoming Assistant Secretary of Agriculture to talk to people with a special interest in the National School Lunch Program. It is a real pleasure.

I find that everybody at the Department of Agriculture likes to talk about the school lunch program. And that includes Secretary Freeman, who often holds it up as a shining example of American achievement. He was very sorry that he could not be with you tonight and asked me to extend to you his best wishes and his heart-felt appreciation for the work you are doing on behalf of this program.

This is a program of which we are all very proud. It does a great deal of good for the children. It helps farmers to build better markets for their products. It is a growing market for all segments of the food industry. And, in fact, as the country's biggest food business, it helps the whole national economy.

This is one program that a great many people know about -- and appreciate. Like most of the other programs in which the Department of Agriculture plays a part, it serves many purposes and many people -- all of our citizens along with our farmers.

---

Address by Assistant Secretary of Agriculture George L. Mehren at the Annual Meeting of the American School Food Service Association, Convention Hall, Atlantic City, New Jersey, October 31, 1963 at 8:00 p.m. (EST)

---

Isn't it amazing that so many people seem to assume that price support and related operations are the only job of the USDA? They either take for granted or forget the other things we do. They forget that this Department is probably the greatest research, conservation, regulatory and service, agricultural insurance, financing, and action program agency in the world.

A great deal of the knowledge in the fields of soil, water, forests, crops, domestic animals, insects, economics, food quality, and nutrition originated in this Department. It is the source for much of the information on these and related topics that you see every day in newspapers, magazines, textbooks, encyclopedias, and dictionaries.

Abraham Lincoln, who signed the Act creating the USDA 101 years ago, called it the "people's department." If that was true then, it is even more so now.

Year by year, farming has become more efficient, more specialized, and more scientific, and more and more of the population has moved to the cities. Much of that which used to be done on farms in processing foods and fibers has moved to processing plants. Much of what used to be done in the kitchen -- farm or city -- is now done in plants also. The scope of choice for foods and fibers has widened. There are new technologies, markets, channels, and methods in all parts of the industry. Thus, in keeping with its basic mission, the Department's responsibilities have been extended. We have not lessened our programs designed to improve farming and farm living -- nor



shall we since they are so clearly in the public interest. Yet we have adjusted also to the changing needs of consumers of foods and fibers for the Department has always operated under a charter that is broad and eloquent in charging us to serve the interest of all of the public. But as our general economy and our farm and food economy changes, the Department's programs likewise change.

The Department has long been deeply concerned with the health and nutrition of all our people. Congress initiated the first federally supported research in human nutrition in 1894. We still have a lot to learn in this field. But knowledge gained to date -- in which the Department's nutrition research has played a leading role -- has brought us new opportunity to avail ourselves well of life itself. The right food, we now know, can help keep us well and vigorous.

We have devoted much time and attention, too, to improving the nutritional level of those who, for whatever reason, do not have adequate access to all those foods they need for health and well-being. In a country blessed with the greatest agricultural abundance ever known to man, any other course would -- to me at least -- be unthinkable.

The challenge of abundance, as I see it, is two-fold. First, of course, is our responsibility to share it with those less fortunate -- in this country and abroad. We are doing this. But much more could be done -- and I will have more to say about that in

(more)

USDA 3614-63

a moment. Second, we must see to it that this abundance is marketed as efficiently and economically as possible so that the cost of marketing -- which is now twice that of production -- does not place the price of an adequate diet beyond the reach of the average family budget. We are doing this, too.

The fact of the matter is that the average American today is enjoying the best and most varied diet in history -- for a smaller share of this budget than ever before in any time or place.

For this we can thank an enterprising and competitive private marketing system -- and the Federal, State, and local services and regulation, research and education that helped to make and keep it that way. These are consumer services of the most beneficial sort. This is the significance of the title that I hold: Assistant Secretary for Marketing and Consumer Services. I understand that you are going to see a slide show depicting and describing some of these services later on this evening, so I will not elaborate this point further except to say that these marketing services -- including among others inspection, grading, marketing research, market news, regulation of trade practices, and the food distribution services of which school lunch is such an important part -- these, to me, are typical of the Department programs that serve farmers, industry, and consumers equally well and in the aggregate help to build a strong and growing national economy. In the long view at least, there is consistency of interest among all elements in the food industry.

(more)

USDA 3614-63

The National School Lunch Program is, as I have indicated, a prime example of the multi-purpose programs that the Department conducts in such number and with such telling effect throughout the country.

It is, moreover, a prime example of another peculiarly American development -- that of close-knit cooperation among our citizens in their communities, and in their local, State, and Federal governmental bodies. Through the years and under many circumstances, the National School Lunch Program comes first to mind in any discussion of good Federal-State relationships. It is used as the "for instance" and "for example" as illustrative of the way in which basic responsibility is maintained in the community, with a minimum of regulations, restrictions, and limitations in a program which operates under Federal standards and with Federal assistance.

Although we in the Department of Agriculture administer many programs in just this way, I have found that to the general public and to commentators on how to get things done under our system of government, the school lunch program is the one most readily understood and most often used as the exemplary model.

This evening's program, "USDA Night," bears out an important reason for the esteem in which the National School Lunch Program is held. It indicates a mutual understanding and cooperation, a friendly give and take that is perhaps more than we would like, but it is

(more)

USDA 3614-63



16-

heart-warming. It is evidence of a mutual respect among all those working for this program that is quite remarkable. As a fairly recent arrival on the scene in terms of direct involvement, I can see that I am the trustee for a sound and solid framework of relationships.

There is another important feature of the school lunch program that is frequently cited as exemplifying how to get things done. How do you get things done -- how do you communicate -- how do you reach the individuals involved in administering a program in some 68,000 separate entities stretched from coast-to-coast and half-way around the world?

How do you arrange an exchange of information, of techniques, of know-how? Even small countries with a homogeneous population find this a problem. A few have suggested that we try to solve it by saying that the only reservoir of knowledge and expertise is in the national government. We know better. We know that a good program gets to be a good program only if every individual involved in it feels a dedication -- feels that his ideas can be helpful and useful. Each individual in a good program also wants to learn how someone else is coping with a particular problem.

So -- in this program as in too few others -- there has been evolved a technique for communication. Through local, State

(more)

USDA 3614-63



and regional workshops and demonstrations there has developed a means of transmitting experience and ideas. Effective use has been made of the facilities and resources of colleges, universities and the agencies of the Department of Agriculture, particularly in the technologies of food and nutrition. We have been pleased with the contribution we have been able to make, both as a Department and in the form of special efforts on the part of Agricultural Marketing Service personnel.

The American School Food Service Association and our own Food Distribution Division provide a national focal point and clearing house for this network of communication.

I have heard, and I believe this gathering attests to this -- that there is no group more dedicated to doing the best possible job for our communities and for our children. I expect to learn at first-hand what I have been told repeatedly -- that your workshops at all levels are a constant source of surprise and delight -- not only in terms of attendance but in terms of active interest and lively participation and a continuing desire to find new and better ways of doing your job.

For our part, the Department of Agriculture and the Administration have proposed and supported legislation and a level of appropriations that are sound, sensible and that should provide a workable structure on which to build an even more effective program. We shall continue and strengthen our efforts to develop and supply a variety of materials and technical aids to assist you.

(more)

USDA 3614-63

You have a tremendous agenda for this meeting with a wide range of topics from the general to the specific. As I reviewed it, I wondered how you decide as an individual to apportion your time. To me it seemed like a cafeteria offering an array of tempting dishes -- each one delectable while meeting the full Type A nutritional requirement.

And, from the flavor of far-away places evident on this agenda, I feel sure you fully appreciate that the school lunch program has served as the model in another context. That was when the question arose as how best and most effectively to share our abundance with a group standing in the greatest need of all -- the millions of children abroad without access to a good or often even a subsistence diet. As a Nation, we borrowed heavily from your experience and you have good cause to feel gratified. It is a satisfying feeling when the bits and pieces of individual effort are important not only to the immediate community, but also are applied on a wider scale in an effort to free the world from hunger.

It can happen, though, that in the pursuit of professional excellence we lose sight of the major goal -- we lose sight of the reason for skilled professional efforts.

Expansion in the availability of the National School Lunch Program and in the number of lunches served has moved along in a comforting fashion for some years now.

(more)

USDA 3614-63

Perhaps it is time to discomfit the comfortable -- ourselves.

As new schools are built in suburban areas, as consolidated schools are built in rural areas, they tend to incorporate school feeding services. A lot of our growth in numbers and availability has come fairly easily, almost automatically.

I would like each of you at this point to look back over your shoulder at those schools and those children who have been left out. If you don't have a program in some schools, why don't you have a program? If you have a program, but participation is low, why is it low?

In many rural areas and in center-city elementary schools we face tremendous problems. The children in these areas really need a lunch program. I would like to see you turn your professional talents to seeing to it that they get it.

There are some rural areas in which we have sanitation and water supply problems that do not differ in degree or seriousness from those in Peru or India. But this is mid-century America and we of all people should have the ingenuity and resourcefulness to do something about it. A little is being done, but not enough.

In the sweep of this program from ocean to ocean we have by-passed some millions of children. We estimate that as of January 1964 nearly 5-1/2 million children enrolled in public schools will not have a lunch service available. An additional 3 million pupils in



private schools will face the same situation.

Where are these children? Most of them are in the elementary grades -- at the age where their bodies are being formed -- where good health practices can be established for a lifetime. Of the children that do not have lunch service -- 85 percent are in elementary schools -- both public and private.

Some of these children live in rural areas -- but the majority -- nearly 70 percent -- are in counties or metropolitan areas with a population in excess of 100,000 persons.

It also appears that schools not offering a lunch service are concentrated in lower income neighborhoods. In March of 1962, school administrators estimated that as many as 550,000 pupils might be considered needy or near-needy in those schools not offering a lunch service. This number exceeds 10 percent of the total enrollment in these schools.

I am aware that administrators in some city school districts do not believe that feeding children is a proper responsibility of the school system. In suburban areas the responsibility is assumed without question because the children cannot get home to lunch.

I do not intend to argue the point as to whether or not it is a proper responsibility of the school. I say simply that the need exists and it's a very real and widespread need. An afternoon session in school with a group of hungry, listless children is a wasted session. This is true whether these are city children or rural children.



Some of the letters that come in to the Department from very low income areas bear most eloquent testimony to these facts. One of the teachers at a mission school wrote that the program has made the education of what she termed "these poor children" not just easier -- but possible. "It is difficult enough to teach children reading and arithmetic at any time," she said. "It is nearly impossible to teach them when they are really hungry." Another letter reported that for the first time in seven years, they did not have children fainting in the classroom from hunger. This is in America! The land of plenty! There are not so many areas like these but in this Nation there should be no hungry children anywhere.

As you know, the Congress authorized special assistance for schools in particularly needy areas under the revised School Lunch Act but has not appropriated money to fund the authorization. In the course of last year's debate on the Act, there was a great deal of discussion and interest in this subject. We would like very much to have the extra money, but I am convinced that there is much more we can do within our present legislative framework and with our available funds to try to put a lunch before many of these hungry children. With the cash appropriation, the available commodities and our accumulated know-how, we should really go to work on this problem.

Some States are already reviewing their policies and practices as they affect particularly needy schools. Variable rates of reimbursement, variable rates of allocation for Section 6 commodities and more intensive use of Section 32 commodities offer some real possibilities. In a few States, the legislature or community groups

or local boards of education are rising to the challenge and are making funds available to provide new or expanded operations in needy schools.

I would like each of you to think through your present policies on free and reduced price lunches. Are you meeting the need in your school and your school system? We know that some areas and some schools face very difficult problems in even maintaining a lunch program because only a handful of students can afford to pay the full cost of the lunch. We are sure there are many more schools where the free or reduced price provision should be more generously applied.

Every piece of legislation has a philosophical base. Every piece of legislation is designed to meet a need. In the National School Lunch Act we have some words that have stood the test of time. We have some words to live by and work by. We have a positive charge of responsibility from the Congress. The Act sets forth some very specific things we are to do.

The Declaration of Policy states: "It is hereby declared to be the policy of Congress, as a measure of national security, to safeguard the health and well-being of the Nation's children and to encourage the domestic consumption of nutritious agricultural commodities ...(through) the establishment, maintenance, operation and expansion of nonprofit school lunch operations."

(more) USDA 3614-63

The statement of program requirements is equally positive: "Lunches served by schools participating in the school lunch program under this Act shall meet minimum nutritional requirements prescribed by the Secretary on the basis of tested nutritional research. Such meals shall be served without cost or at reduced cost to children who are determined by local school authorities to be unable to pay the full cost of the lunch. No physical segregation or other discrimination against any child shall be made by the school because of his inability to pay. School-lunch programs under this Act shall be operated on a nonprofit basis."

What brings us together here has never been better stated. There are no ifs, ands, or buts. We are not to make the school lunch program available only where it is convenient or easy to do so. We are not to serve free or reduced price lunches only if we can afford it. A child who is unable to pay the full price, is to receive a lunch. The program is not only good for some children; it is good for all children and essential to many.

This program began with not just a purpose, but a mission. It still has not just a purpose, but a mission. There are few programs as widely heralded and accepted as this one. Out of our accumulated skills and techniques and ingenuity we should be able to devise ways of reaching those children we are not now reaching.

(more)

USDA 3614-63



Let us be able to say we have a Nation-wide School Lunch Program. A Nation-wide program that reaches the hungry and the needy wherever they may be. We want, we demand, excellence in education. We want and we demand acceleration in all the subjects taught in our schools. Let us see to it that we provide our children with the tools, the environment, the health and nutrition to cope with what we demand of them.

Let us work together, even more closely than we have, to make sure that the blessing of abundance is a blessing for not just the favored -- but a blessing for all.

USDA 3614-63

U. S. DEPT. OF AGRICULTURE  
NATIONAL AGRICULTURAL LIBRARY  
FEB 10 1964  
C & R-PREP.



9- file  
U.S. Department of Agriculture  
Office of the Secretary

#280.39  
M472  
Sept. 26, 1963  
cop. 2  
50 YEARS OF MARKETING SERVICE

I appreciate your invitation to join with you in marking the 50th anniversary of organized marketing work in the Department of Agriculture.

Although I am newly come to my present position of Assistant Secretary, I am, as I believe you know, no stranger to agriculture nor to the Department.

So I feel pretty much at home here today with you, my fellow USDA employees -- and of course San Francisco is home to me, too.

Since taking on my new responsibilities, I've had occasion to think a good deal about the significance of the USDA and cooperative State marketing work -- what it means to a nation of 189 million consumers and an economy that is one of the most advanced anywhere in the world.

I've read a little history, too, and found that marketing work was not something the Department sought on its own as part of its functions nor even very willingly undertook at the beginning.

In the first half-century after its founding, the United States Department of Agriculture concerned itself chiefly with helping farmers

---

Address by Assistant Secretary of Agriculture George L. Mehren at the Golden Anniversary of Marketing Service dinner of the USDA Club, San Francisco, California, September 26, 1963, at 7:30 p.m. (PDT).

---

increase their production -- and to do it more efficiently and at less cost.

But as the cities grew, more and more food moved through the marketing system, instead of directly from the field to the dinner table. Urban consumers complained about the high cost of living, and blamed farmers for it.

One of the leading farm organizations of the day urged the agricultural colleges to establish courses in marketing. And it urged the Congress to organize and expand marketing work in the USDA.

About the same time a railroad official, tired of being blamed for the high cost of marketing farm products, wrote an article criticizing the cost and inefficiency of handling and marketing farm products. The article was published in one of the best-known national magazines. At least one Congressman took seriously this challenge to do something about it, and introduced a bill to authorize marketing work. Several other bills, based on drafts written by farm organization leaders, were later introduced into Congress.

Some of these would have put the work into the Department of Commerce and Labor. In fact, the Chief of the Bureau of Statistics told a Congressional committee that's where marketing studies belonged.

However, Secretary of Agriculture "Tama Jim" Wilson agreed with the others that the Department of Agriculture was the proper place for it.

So in the appropriation act of 1913-1914, Congress appropriated \$50,000 -- with \$10,000 of it to be available immediately -- "to acquire and diffuse among the people of the United States useful information on subjects connected with the marketing and distributing of farm products..."

This act rounded out the full meaning of the Act of Congress a half century earlier establishing a Department of Agriculture "to acquire and to diffuse among the people of the United States useful information on subjects connected with agriculture, in the most general and comprehensive sense of that word..."

The Act establishing marketing work was signed by President Taft on his last day in office shortly before the inauguration of President Wilson. It was left to the incoming Secretary of Agriculture, David F. Houston, to organize the work and get it started. On May 16, 1913, he appointed Charles Brand to be Chief of a new Office of Markets.

Although in the years since then, the marketing work of the Department has gone through a number of evolutionary stages, today's Agricultural Marketing Service is the direct lineal descendent of that original Office of Markets, and so it is that the AMS this year sponsors the Golden Anniversary celebration.

The job of marketing farm products has grown steadily in size and importance during the last half century, as an ever increasing share

(more)

USDA 3134-63



of our population moved from producing farm products to buying them, while the total population grew. And the marketing function has taken over much of the work once done in the kitchen, as well as jobs that used to be done on the farm. Today there are two people marketing farm products for every one growing them. But consumers have a quantity and quality of food and convenience services unrivalled in any other time or place.

Probably the most significant action since 1913 aimed at improving the marketing of farm products through the aid of Government services was the Agricultural Marketing Act of 1946.

Congress in this legislation wrote out a goal of bringing the same scientific approach to solving marketing problems that had been so successfully employed since 1862 in solving problems of production. The Act further called for continuous research, Federal-State cooperation in marketing programs, and an "integrated administration" of marketing research, services, and regulatory activities.

By this time, of course, the Department's basic marketing services -- standardization, grading and inspection, market news, marketing research, food distribution, and regulatory services -- were well developed.

Nevertheless, the establishment of an "integrated administration" (which took a while after the passage of the Act) -- and probably also the developing need for these services -- brought a new emphasis to



USDA marketing work -- and that of the states as well.

One expansion during the 1950's was in the use of marketing orders and agreements in the marketing of fluid milk and fresh fruits and vegetables. Today there are 45 agreements for fruits and vegetables, covering products worth more than a billion dollars, and 83 milk orders, regulating the marketing of two-thirds of all Grade A milk sold.

It is interesting to note that although the basic legislation authorizing the orders was passed 30 years ago, they have continued to grow in recent years.

The orders differ according to the nature of the individual products and their markets. But they are all alike in that they originate with the producers and handlers of a product, who not only must develop the proposal for a marketing order, but must through the public hearing process establish the need for it.

The final responsibility for terms of the order is in the hands of the Secretary of Agriculture, who is charged with seeing that they are in the public interest. But before he can issue the order, which then becomes binding upon all the producers or handlers in a specified region, it must have the approval of at least two-thirds of the producers affected.

Thus in effect the marketing orders are a partnership between the Secretary and the industry -- although executive power is and constitutionally must be in Government. They do not control production

but by regulating marketing serve principally to strengthen the bargaining position of producers vis-a-vis that of the buyers of their products. And for that reason, they offer consumers assurance of a stable supply and price for the products so regulated.

Standardization work, inspection and grading, and market news also experienced a steady growth in the post World War II years.

The Poultry Products Inspection Act of 1957 brought to consumers the same assurance of wholesomeness that they had long had for red meats -- and helped to increase the market for this rapidly growing segment of agricultural production.

Market news, following the trend of marketing, was expanded into more production and shipping areas -- and State departments of Agriculture began to play a larger part in the Nation-wide market news system.

The growth of modern retailing brought with it the need for more standardization of product than ever before and grading services grew apace. These services, like market news, are designed to facilitate pricing and competitive marketing in our free enterprise economy -- and help put the farmer on more equal footing with others in the marketing system. They also guide consumers in selecting the qualities they desire and farmers in producing the products that meet consumer wants. And like market news, many of these services are performed cooperatively with State departments of agriculture.

(more)

USDA 3134-63

Today 70 percent of the beef sold at retail carries the USDA grade stamp -- so does 46 percent of the poultry and 15 percent of the butter. Most of the trading in fruits and vegetables is on the basis of Federal grades, too, though only a small amount of this grading carries through to the consumer.

Food distribution activities of the Department, largely based on legislation of the 1930's, also received rising attention in the postwar years. Moreover, the emphasis has shifted from that of surplus disposal to that of improving dietary levels of school children and those who for whatever reason are unable to purchase an adequate diet. Even so, these programs do have the effect of expanding present and future markets for farm products. A third of the Nation's school children take part in the school lunch program and nearly 6 million Americans currently receive USDA-donated foods or participate in the Pilot Food Stamp Program.

Marketing research, in collaboration with State experiment stations and with industry, has taken giant steps. One of these was the start of basic research which could contribute to better marketing. It encompasses many types of questions -- from the very nature of living tissues to the mechanics of efficient handling.

Because many cities, like San Francisco, had wholesale marketing facilities that were antiquated, inadequate, overcrowded, and wasteful places to do business in this day and age, they called upon marketing



research for help in planning new facilities that would permit use of modern handling techniques and generally streamline and cut the cost of serving the food needs of the growing urban population. I was proud to be invited here for the opening of the new San Francisco Produce Terminal which is based on USDA designs. Similar modern marketing facilities have been planned with the Department's help for some 60 other cities -- and half of these have already been built or are under construction. These facilities are saving millions of dollars every year through time-saving and the reduction of waste and spoilage.

Other aspects of marketing research have done much to improve packaging, processing methods and facilities, layout and efficiency in retail stores, transportation and handling techniques and facilities, methods of identifying and measuring quality -- including instruments that "look" through apparently opaque objects to spot hidden defects, "feel" the ripeness of fruits and vegetables without harming them, and measure exact gradations of color.

Such developments have contributed immensely to the efficiency of our whole national marketing system -- and helped hold down marketing costs.

In the field of regulation, USDA, through its marketing agency, AMS, administers a number of statutes intended to assure fair play and fair competition. These programs are designed to help preserve the free and open competition upon which our economy is based.

(more)

USDA 3134-63



Like all of the other marketing programs of both Federal and State governments, these regulatory programs are services to make our free economy work better. Ours is a private, commercial marketing system -- we think it is one of the best in the world. But a free market does not mean the absence of Government -- there must be active but limited participation by Government to keep it free. And that is what our regulatory programs are designed to do.

In keeping with that aim, Congress in 1958 passed a significant amendment to the Packers and Stockyards Act, which serves to regulate the marketing of livestock, meat, and poultry. This amendment extended jurisdiction of the Department beyond the terminal and auction markets into the country where an increasing number of transactions impinging upon interstate commerce are now taking place. It will take some time before the full effect of this amendment will be felt -- but it has already done much to extend further protection to the livestock producer.

There are other USDA services to marketing, such as those performed by the Commodity Exchange Authority, crop and livestock reports, and economic analysis and research -- but these are outside the province of the present Agricultural Marketing Service -- and after all, it is AMS who is holding the birthday party.

So this, in capsule, is where we stand today -- a full array of marketing services that have grown with the marketing system over the

(more)

USDA 3134-63

past 50 years and have served to make the system work better -- and what is more important -- work in the best interests of all.

And we have a private marketing system that matches the efficiencies of mass distribution to those of mass production and frees most of our population to produce all of the other goods and services that make the American way of life so attractive.

Where do we go from here? Although an anniversary is a good excuse to review past accomplishments, the occasion is likely to be useful, as AMS Administrator S. R. Smith has pointed out, to the extent it is used for an assessment of problems remaining to be solved. Of those, there are aplenty. The problems relate not only to the physical aspects of marketing, but to its resource guidance function as well.

On the physical side, there is need for a great deal more research which could help make the marketing process much more efficient and thus reduce its cost, which now accounts for 62 cents out of each food dollar. Transportation costs, alone, still take a big bite out of every consumer food dollar. Waste and spoilage after harvest, though not as prevalent as it once was, could be cut much more. More ways to safeguard food through all stages of marketing are needed. The number of times that food and fiber must be handled, sampled, and graded before it reaches the consumer could in many cases be reduced. Faster and more objective methods to measure quality are needed.

(more)

USDA 3134-63

The economic side of marketing offers problems at least as great and perhaps more puzzling since the direction we should go is not clearly defined. Indeed it is even somewhat difficult to define the problem.

But they are related to the changes that have occurred in the structure of our marketing system and in its operation. Not so many years ago, the structure was rather clear-cut -- a succession of stages from farm through the local and terminal markets, processor, wholesaler, and retailer. Today the pattern is much different.

Central markets for a number of products have given way to decentralization. Today the farmer often sells direct without availing himself of a series of open or public markets. The number of procurement firms for processing and distribution has decreased. The size of firms has increased. Sometimes there are terms of transfer that are much different from those prevailing earlier. The relationships among producers, processors and distributors have changed. The effects of these changes as measured in scope of choice to consumers appear to be consistent with consumer interest in many cases. Yet these changes raise the difficult issue of whether all of our service and regulatory functions are in fact best suited to the industry as it is today and may be in the future.

Perhaps we must one day determine the program which will best serve consumers by assuring long-run equity to farmers, processors, distributors and the many others who help supply our foods and fibers.



It is already clear that the quite proper adjustment by distributors to consumer wishes has generated new requirements for coordination of production, processing and distribution. Some of these necessities are most difficult for some farmers to meet.

In this setting, AMS services to safeguard the interests of farmers and all others who serve consumers are challenged as never before. They are being adapted, as quickly as it is possible to discern how they should be shaped. We may well have to develop new goals and methods, just as producers have done and are doing now. Specifically we shall explore the feasibility of new methods of collaboration among farm producers.

In the next half-century, the marketing services of AMS, and the State departments of agriculture, which cooperate in many of the programs, will undoubtedly undergo a great many changes -- just as will our whole marketing system for farm products. But their mission will remain the same -- to help provide for this country the best possible private marketing system -- the most efficient and least costly that can be devised -- and at the same time to protect and preserve our traditions of free enterprise and fair competition.

We seek not to dominate but to serve the free marketing system that has worked so well for all Americans. We strive to further a system that will provide equity for all -- and a stable economy for the Nation.

(more)

USDA 3134-63



I don't think there will be any question of the need for our services in the years ahead -- on the contrary, the needs of marketing will require the best efforts of us all.

Let me tell you what I think of the USDA. I have never before known the immense scope of service it performs, with beautiful efficiency. It is a department of all the people -- and not solely a department for farmers. I have never known abler or more dedicated people. It is no small responsibility to be one of you. It is a great honor.

-----

U. S. DEPT. OF AGRICULTURE  
NATIONAL AGRICULTURAL LIBRARY  
FEB 10 1964  
C & R-PREP.

A280.39  
M472

FRUITS, VEGETABLES, AND SAN FRANCISCO

Sept. 26, 1963  
Cop-2

I am delighted and honored to be here. In the first place, it gives me the opportunity to get back home again -- if only briefly -- and I don't have to tell you what a pleasure that is.

And as you may know, I have quite a personal interest in the event that brings us together here. Some twenty years ago I took part in a study and co-authored a report called "Improving the San Francisco Wholesale Market."

So you can imagine how gratifying it is -- and it seems to me extremely fitting -- that one of my first public appearances as Assistant Secretary of Agriculture should be this one, celebrating the opening of the splendid new produce terminal that has at last become a reality.

I know that to make this move was not easy. Properly, there was and is diversity of interest and of goal among people in this industry and every other industry. That such diversity has in large measure been resolved is a tribute to the city and to its people. Since I know from first hand observation the struggles, the hopes and dreams, and the hard work that this achievement represents, my congratulations to all of you who had a part in it are indeed heartfelt.

---

Address by Assistant Secretary of Agriculture George L. Mehren at the San Francisco Commercial Club, San Francisco, California, September 26, 1963, at 1:00 p.m. (PDT).

---

I am proud, too, of the role played by the U. S. Department of Agriculture -- in particular the Agricultural Marketing Service, whose researchers developed plans to help you make this market center as modern as tomorrow and as efficient as the age of automation demands.

The market will be a real asset to the city of San Francisco and the State of California. It will be of great benefit to the wholesalers operating in it, to farmers whose produce moves through it, to retailers buying here, and to consumers whose food supplies are obtained in it.

In this market both railroad cars and trucks can move directly to the buildings where they are to be unloaded. Front and rear platforms are at the proper height for loading and unloading. The buildings are designed so as to make possible the installation of proper refrigeration rooms, the use of modern handling equipment, and the expansion and contraction of space to meet the changing requirements of the tenants. Streets are wide. Adequate parking areas have been provided, and the entire market is so located and arranged that traffic congestion should not become a major problem.

From this modern food center retail grocers throughout this trade territory should be able, speedily and efficiently, to obtain the perishable foods they need to feed hundreds of thousands of people. In this facility these products can be handled efficiently and cleanly. It will mean tremendous savings in handling costs -- and a great reduction in the waste and spoilage that were unavoidable in the old Washington

(more)

USDA 3106-63



Street area. You not only have a market that will meet today's needs but also a site sufficiently large to provide for expansion in the future.

According to a news release I saw recently, the symbolic move from the old produce district to the new produce terminal tomorrow will "mark a turning point in the history of California's produce industry." That may well be. At the very least, California's produce industry is worthy of our best efforts. It has an impact not only on the City and State, but on the whole national economy.

Agriculture, its suppliers and its customers have long been the major industry group in California. California has long been the leading agricultural State in the nation and its fruit and vegetable industries are a major reason for this preeminence.

For the United States as a whole, fruit and vegetables account for 10 percent of total cash farm receipts. In California they make up 35 percent of the total.

California is the number one State in the nation in the value of vegetables produced, both for the fresh market and for processing. About half of the California vegetable crop goes into fresh market and half into processing.

California also leads the nation in the production of a variety of fruits and nuts -- lemons, peaches, plums and prunes, pears, grapes, apricots, nectarines, dates, figs, olives, avocados, almonds, and walnuts.

The outlook for the fruit and vegetable industries of California is bright. Several years ago the United States Department of Agriculture made projections from 1953 to 1975 for major commodities, and the Giannini Foundation made a similar set of projections for California. Demands for fruits and vegetables are highly sensitive to rising income. Accordingly, the conclusion was that the demand for California farm products would rise at a faster rate than for those of the United States as a whole. The Giannini projections foresaw increases of some 44 percent for apples, 59 percent for grapes, 57 percent for other fruits, 25 percent for nuts, 123 percent for processing tomatoes, 50 percent for leafy green and yellow vegetables, 88 percent for other vegetables, and 62 percent for potatoes.

Here in the San Francisco area the growth of our marketing facilities must keep pace with the present and projected growth of these important agricultural industries. The San Francisco area is a major U. S. market. In terms of volume of receipts of produce it ranks sixth among the giant metropolitan markets of the country.

Any way you look at it, the produce industry is no small matter. By the same token, the system that markets this abundant production is a highly significant part of our national economy.

A recent study of the Food and Agriculture Organization of the United Nations concluded that one of the major reasons that the United States is a land of plenty while other countries are witnessing mass hunger is this country's highly developed and efficient marketing system -- and they were right.

This system, which has developed largely in the last 50 years, not only makes it possible, as former Secretary of Agriculture Anderson once said, for our people to "throw away the best garbage in the world," it is the heart of a system which frees us from the fear of hunger, frees resources for other uses, and has helped us to help needy people throughout the world.

For this we can thank a virile and competitive commercial system -- and those government services, Federal, State, and municipal, that help to make it efficient, orderly, and economical.

Food marketing is crucially essential to the very existence of consumers -- and to the amount of money they spend for food and other farm products. Yet few consumers fully appreciate the remarkable private marketing system that this country enjoys.

Some people may think that food grows right there on the supermarket shelf. They cannot be expected really to know all the processing, assembling, grading, shipping, transporting, storing, buying and selling, wholesaling, and retailing it takes to put that ready-to-cook broiler in the display case -- or the box of fresh strawberries on the produce counter.

Many consumers may not know that 62 percent out of their food dollar goes to pay for operations that are called marketing. If they did realize that fact, they might be shocked. Yet the real accomplishment of the marketing system is that the cost has not increased still more, when we consider the quality and quantity of services which it provides. For

(more)

USDA 3106-63



the fact is, that most of that marketing money goes into the cost of providing these services, and very little into profit.

Since World War II, work done by the marketing system has increased by one-third -- but without an increase in the man-hours required to do the job. Wages of marketing labor have risen more than 80 percent since that time -- but costs per unit marketed have risen only 36 percent.

If the efficiency of our marketing system had not increased, as it has, during those years, labor costs alone would be 7 billion dollars a year more than they now are.

This is the real significance of such improvements as the one we are celebrating here today. It is the thousands of improvements like this -- in wholesale markets in transport, in handling methods, in containers, processing, and so on -- that have increased the productivity of marketing labor so significantly in recent years -- and have helped hold down food costs so that this year they represent only 19 percent of the average worker's take-home pay.

As I have indicated, commendations for these improvements and for the efficient marketing system that helps make our people the best fed at the least cost anywhere, at any time -- go in the main to our private commercial marketing industry.

(more)

USDA 3106-63



But it would be a mistake completely to overlook the role of the government. This year the Department of Agriculture marks the 50th anniversary of the ~~start~~ of its formally organized marketing work. This was the establishment in 1913 of the Office of Markets, forerunner to today's Agricultural Marketing Service. In passing legislation authorizing this work, Congress recognized the increasing significance of marketing to an increasingly urban society.

If we were to single out the most important milestone in legislation since 1913, it would probably be the Agricultural Marketing Act of 1946. This Act declared efficient marketing for farm products to be "essential to a prosperous agriculture" and "indispensable to the maintenance of full employment and to the welfare, prosperity, and health of the nation."

The Act, moreover, called for bringing science to marketing: "It is ... declared to be the policy of Congress," it said, "to promote ... a scientific approach to the problems of marketing, transportation, and distribution of agricultural products similar to the scientific methods which have been used so successfully during the past 84 years in ... production ..." The Act further named the "intent of Congress to provide" for continuous research, Federal-State cooperation in marketing programs, and an "integrated administration of marketing research, services, and regulatory activities."

(more)

USDA 3106-63

This remarkable piece of legislation, passed unanimously by the Congress, gave force and direction to the marketing work that began almost without notice in 1913.

Now, in this year 1963 we have:

Federal standards of quality for every major farm product -- nationally uniform specifications that are a basic necessity in modern trade.

Grading services -- often operated cooperatively with State departments of agriculture -- that provide official certification of quality and permit long distance trade without the necessity for personal inspection on the part of the buyer. Grades also guide consumers in selecting the qualities they desire -- and farmers in producing the qualities that meet consumer preferences.

And then there's the nation-wide Federal-State market news system. This serves not only to keep farmers informed on going prices, supplies, and demand -- and thus put them on more equal footing with the buyers of their products -- but it also helps direct products to the markets where they're needed, preventing unnecessary gluts and shortages, and thereby helping to stabilize prices to consumers.

Federal inspection for wholesomeness of meat and poultry is a vital consumer protection service -- but is equally important to farmers and marketers in building confidence in and demand for these products.

(more)

USDA 3106-63

Not to be overlooked, either, are the regulatory activities through which the Government supervises and helps assure "fair play" in marketing -- and the marketing agreements and orders, administered by Government, by which producers and handlers of farm products can regulate their marketing in the public interest.

I am not going to review all of the USDA and State services which aid in the marketing and distribution of farm products, yet there must be recognition of marketing research, a part of which is the designing of such modern and efficient market facilities as your new wholesale center.

Other aspects of marketing research, in which USDA collaborates with State agricultural experiment stations and private industry, include the development of better and more objective methods and instruments to measure quality of farm products; of means to reduce the number of times products must be handled on their way from the farm to the retail market; of ways to cut costs of transportation; and of ways to reduce the waste and spoilage and insect damage that cause much loss in marketing and therefore add to marketing costs.

This partial listing of Government services gives some idea of the hand extended to private industry, to farmers, and to consumers by both Federal and State agencies. These are services to make our free economy work better -- and this is basic to all of our operations. Wherever Federal or State Governments step in -- whether in production, marketing, or distribution -- it is our goal to enhance the working of

(more)



the commercial system in our farm and food economy. We operate under a charter that has always charged us to serve the interest of all of the public. We are proud of the tradition that has prevailed and the record of public service that has been set.

I think that the people of this country benefit immensely from this policy of public service, information, regulation, and research. This Department is not and never has been a Department only for farmers. It is and always has been a Department to serve those who produce and use foods and fibers. And that is everybody.

No one believes that the job of serving of American consumers by improving our markets is done. On the contrary, it is just beginning. The "application of science" to marketing that the Congress called for 1946 is really just in its infancy. There is much room for improvement -- and for cost saving. We have hardly scratched the surface of possibilities for new and better ways of processing and storing foods -- new concentrates -- new methods of preservation and packaging -- improvement in ways of identifying and measuring quality -- streamlining of handling and transport.

Moreover there are new and perplexing problems to be dealt with in a marketing system that changes perhaps faster than any other element of our economy.

These are some of the reasons that your new produce marketing facility carries significance beyond the improving of physical efficiency and reducing of marketing costs.

(more)

USDA 3106-63



There is obvious need for central terminals like the one you have built, and for many reasons. Yet, it is probable that only those terminal markets will survive that follow the most modern merchandising methods and are capable of meeting the changing needs in this highly competitive area -- in other words such a market as you now have in San Francisco.

So I salute you -- Mr. Mayor and gentlemen of the Government of the City and County of San Francisco, the Commercial Club, the Chamber of Commerce, the Wholesale Fruit and Produce Dealers Association, and all of the other business and civic leaders who had the vision, the tenacity, and the will to bring this project to its fruition.

I hope that the residents of this great metropolitan area will appreciate fully what has been done here. They should be proud that you have confounded those who said it couldn't be done.

For years -- as we all know so well -- it was indeed said that it couldn't be done. It was said that no one would ever be able to bring together all of the diverse elements involved and get them to agree on what should be done, how it should be done, who should do it -- and where it should be done.

President Kennedy has said that "America did not achieve her present greatness by refusing to dare, to try, to move ahead." That was said in another context about a larger issue. I think it is appropriate here. For it is the sum total of the efforts to dare, to try, to move ahead -- like this effort we recognize today -- that has made this Queen City so rich in so many things.

-----

U. S. DEPT. OF AGRICULTURE  
NATIONAL AGRICULTURAL LIBRARY  
FEB 10 1964  
C & R-PRP.

FEDERAL-STATE COOPERATION -- PAST, PRESENT, AND FUTURE

H280.39  
M472  
Sept. 23, 1963  
cop. 2

I am delighted to have this opportunity to meet and get acquainted with those of you whom I do not know -- I hope that it is the start of a long and mutually agreeable relationship between us.

Although I am rather new to my present position, I have a fairly broad background with both Federal and State agricultural programs -- particularly in California. So I believe that I can understand something of the problems and the point of view on both sides.

In fact, I feel something like the man who was running for office where the local squirrel was a hot issue. Half of the people were for it and half were against it. So when this fellow had finished giving a talk, someone popped up and asked him how he stood on the squirrel law. But he was equal to the occasion. "I'm glad you asked me that question," he said. "I understand that half of my friends are for it and half are against it. I want it definitely understood that I'm for my friends."

There are of course many details of program operation with which I have yet to become familiar. Nevertheless, there are certain underlying principles that any of us who have some connection with agricultural programs know very well. So I will address myself to these and leave the discussion of the details to those who have been more closely associated with them.

---

Address by Assistant Secretary of Agriculture George L. Mehren at the Annual Meeting of the National Association of State Departments of Agriculture, Winston-Salem, North Carolina, September 23, 1963, at 5:30 p.m. (EST)

---

The programs we operate severally and jointly in Federal and State governments have their roots in the very beginnings of this country. And sometimes a dip back into the history book gives us a refreshing perspective on the issues of the day.

The framers of our Constitution meeting in Philadelphia in 1787 faced the knotty problem of providing for a national government of real authority and at the same time preserving the already existing States. The compromise they worked out was something new -- a Federal Government -- a union in which the powers of general national concern are vested in the National Government, while authority over local matters is held by the States. This grand design is what basically determines to this day the programs to be carried out by the various levels of government.

The Constitution, you recall, gave certain powers to the Federal government -- both expressed and implied. The expressed powers set forth in Article I include among others the powers to regulate interstate and foreign commerce and fix the standard of weights and measures. The implied powers, which derive from those expressed, we've been busy interpreting ever since. For example, the regulation of labor-management relations, the building of power dams, and flood control are carried out by the National government because they may be reasonably implied from the expressed power to regulate foreign and interstate commerce. It's been said that the Commerce Clause has done more to create a strong Union than has any other part of the Constitution.



The powers of the States are also set forth in the Constitution. They include the "police powers" and regulation pertaining to the health, morals, safety, and general welfare of the residents of the State.

This, then, is the foundation on which our agricultural programs -- Federal, State, and local -- rest. The underlying principles are beautifully clear and simple. But the complexity of their actual application is an ever-growing maze, as you know so well.

We can divide governmental functions into separate categories of regulation and service, defining some as Federal and some as State responsibilities. But even so, the dividing lines have a way of shifting with changes in the economy and in technology. And there is, moreover, a big "in between" area which should be a matter of responsibility and interest to both Federal and State governments.

The flexibility with which we can meet the changes which occur in a growing and dynamic economy, and adapt our programs to them, is one of the great strengths in our form of democracy. And the demonstrated willingness of both the U.S. Department of Agriculture and the States to make adjustments and increase the degree of cooperation between them augurs well, it seems to me, for their future usefulness and value to this country.

Few programs of the USDA are operated without State help of some kind. Although those which regulate interstate commerce, or relate to foreign commerce, are a responsibility of the Department which cannot be

delegated, nevertheless, the States assist in carrying out most of them.

Likewise, the States sometimes get assistance in programs which are of local concern, although the Federal government is more limited in this respect than are the States in joining in National programs.

Most often, it is pretty hard to draw the line where State interests stop and National interests begin. But with the right kind of co-operation this is not necessarily too great a problem.

In the field of animal disease eradication we have fully coordinated joint efforts as provided for in the law, with the USDA responsible for interstate aspects and the States for strictly intra-state consideration. But the Federal government has the obligation to see that programs of this kind are kept in balance -- it would be futile, for instance, for Iowa or Indiana to spend large sums to eradicate bovine tuberculosis if nothing were done in adjoining States.

Likewise, in the plant pest control field, all programs are jointly planned and jointly financed, but the Federal government assumes major responsibility in the case of a newly introduced insect or disease which if left uncontrolled would spread throughout the Nation.

Cooperative arrangements in the field of marketing are less clear cut. However, a guiding principle was stated some years ago by Chief Justice Hughes, in an opinion for the Supreme Court:

"Inspection and establishment of standards for commodities has been regarded from Colonial days as appropriate to the regulation of trade, and the authority of the States to enact inspection laws is recognized by the Constitution," he said.

"... But the inspection laws of a State relating to exports or to articles purchased for shipment to other States are subject to the paramount regulatory power of Congress.

"...And Congress has long exercised this authority in enacting laws for inspection and the establishment of standards in relation to various commodities involved in transactions in interstate or foreign commerce."

In another case, the Supreme Court said that our "system, fostered by the Commerce Clause (in the Constitution), is that every farmer and every craftsman shall be encouraged to produce by the certainty that he will have free access to every market in the Nation, that no home (State) embargoes will withhold his export and no... (other) State will by customs duties or regulations exclude them.

"Likewise every consumer may look to the free competition from every producing area in the Nation to protect him from exploitation by any. Such was the vision of the Founders; such has been the doctrine of this Court which has given it reality."

Federal-State cooperation in marketing programs was of course greatly enhanced by the enactment of the Agricultural Marketing Act of 1946 which was supported in large measure by the State departments of agriculture.



This did not provide for specific cooperative arrangements, but left the way open for States to cooperate in national marketing programs if they chose to do so and were willing to pay their share of the costs. There is nothing in this Act, however, that prevents the complete by-passing of a State department of agriculture in the operation of national programs within the State.

A State commissioner has some degree of responsibility -- even if there be no binding legal responsibility -- for any agricultural matter that goes on in his State, nevertheless. If a program involves either servicing or regulating the farmers in his State he should at least be fully aware of its objectives and procedures -- and how well his people are being served.

His obligation puts a premium on communications -- not alone the day-to-day "keeping up" type, but the deeper, more subtle communication of policy -- toward which objective your organization makes important contributions.

State governments in this country have a history of concern with farming and farmers that antedates even the formation of the Nation. The very first representative legislature to meet in America -- in Jamestown on July 30, 1619 -- passed laws to aid the farmers of the colony.

So it is not strange that the history of cooperation between the National and State governments in farm programs is marked with some



difficulties. The surprising thing is how very well the two levels of government have cooperated in a vast number of programs over a great many years.

The difficulties have been largely those of reconciling the interests of one particular State with those of a broader area, particularly where a State program may have preceded a National one. The situation at times has been not unlike that faced by the framers of the Constitution. They had somehow to reconcile the interests of 13 independent States and form a workable compromise. The product they brought forth -- the Constitution we revere today -- it may be well to remember, did not at the time exactly suit any of the individuals who had a hand in it.

But Ben Franklin had this to say about it: "I agree to this Constitution, with all its faults, if they are such... I doubt whether any other Convention we can obtain may be able to make a better Constitution. For when you assemble a number of men to have the advantage of their joint wisdom, you inevitably assemble with those men all their prejudices, their passions, their errors of opinion, their local interests, and their selfish views. From such an assembly can a perfect production be expected? It therefore astonishes me, Sir, to find this system approaching so near to perfection as it does; and I think it will astonish our enemies..."

I would not go so far as to say we have established a system of Federal-State cooperation in farm programs that rivals for effective

compromise the establishment of the Constitution -- but I will say that it astonishes our enemies and friends alike. They come here to study our methods, our laws, and our joint services which have had much to do with the progress of agricultural production and marketing -- and with the high standard of living -- enjoyed in this country.

Out of our history of cooperation have come the world's most comprehensive system of agricultural intelligence, ranging from national economic forecasts to the daily reporting of prices, supply, and demand in local markets; research and extension programs which have blazed the way in the application of science to farming and to marketing; programs to conserve our national resources of soil, water, and forests for the benefit of not only present but future generations; marketing services and regulation that help make it possible to distribute farm products as efficiently as they are produced; programs to improve the diets of Americans -- both through research and through actions to make more food available to more people; and many more. Most recently, we are joining our efforts in a program to avail of the immense reservoir of initiative and enterprise in rural America through the Rural Areas Development Program.

In the years ahead, I believe that our cooperation in these and other programs will become more necessary than ever before. For despite the advances that have been made, so much remains to be done that it is inconceivable that either National or State agencies could accomplish it on their own. Coordination of our efforts in the best interests of all will be the only course we can take.

(more)

USDA 3162-63

In my opinion, we can expect much greater attention in the future to the marketing aspects of agriculture. Our advancing civilization and technology, and the increasing importance of marketing to the whole national economy, will make it necessary. This is not to say that no further progress can or will be made in production -- of course it will. Who knows? We may even achieve some types of push-button farming one distant day. But long before that, the changing structure of modern business organization as it relates to the marketing of farm products will demand greater attention and perhaps a recasting of our services to marketing.

We are charged with fostering and promoting free competitive enterprise and with serving the interest of all of the public. These goals are not inconsistent, but to achieve both requires a constant alertness on our part to the changes going on about us and a readiness to adapt, adjust -- make changes in our programs and services and even in our attitudes and outlook.

Quite obviously, we will never return to the form of industry organization that marked our early days in this country. Nor will we ever be able to revert to the provincial rivalries that antedated our Constitution.

We must work within the framework of what has evolved, attempt to see where we are heading, and plan the means of serving and protecting the public interest for both the present and the future.



As the world shrinks, the differences between States must become smaller just as must those between Nations. Consider the fact, for instance, that even while we strive toward truly national grade standards for some products, the world is reaching toward international standards which will permit freer trade around the globe.

Many areas of the world look to us for leadership -- especially to our highly successful techniques of farm production and marketing which make possible the good life Americans enjoy today. We cannot do less than continue to lead the way, also, in the matter of cooperative working relationships between Federal and State governments.

Our combined task force is working in this direction. It is making good progress and, as Secretary Freeman has remarked, can take satisfaction in its first concrete accomplishment -- a mutually agreed upon policy statement which sets forth the principles to guide us toward further progress.

The next step, of course, is to implement this policy. I am sure that we will -- and that much greater progress lies just ahead, not only for the Federal and State agencies which deal with agricultural programs but also, as a result, for the American public.

There have been tensions and there will be tensions in the future. There is and there will continue to be awareness of duties, powers and responsibilities of the States and the national government. Most fortunately, there is awareness that working together yields far greater return than working separately. I think that State and Federal cooperation, broad and successful as it has been in many States, is only now coming into fruition.





U. S. DEPT. OF AGRICULTURE  
NATIONAL AGRICULTURAL LIBRARY  
FEB 10 1964  
C & R-PREP

U. S. DEPARTMENT OF AGRICULTURE  
Office of the Secretary

PATTERNS, POTENTIALS, POLICIES AND PROBLEMS IN THE  
EXPORT OF U. S. AGRICULTURAL PRODUCTS

7280.39  
M472  
Sept 20, 1963  
top. 2

World agricultural trade has not for many years conformed to the classical dimensions of purely commercial sales. Such purely commercial or free trade does not now exist. Taking the world as it is, it is unlikely that such trade will emerge in the near future. Accordingly, a realistic appraisal of American trade patterns requires the separation of reported exports into gross value of shipments; those foreign sales which are essentially commercial, for dollars and without subsidy; sales that are partly assisted, yielding dollars that bear some subsidy; and those shipments which are nondollar, with or without export payments. It is possible to outline the major determinants of various kinds of trade in farm products, and on the basis of these to reach reasoned conclusions with respect to potentials. Basically, such analysis points to the conclusion that agricultural trade as a fraction of world agricultural production is minor and will remain minor.

In recent years, gross agricultural shipments from the United States have exceeded \$5 billion, accounting for about one-fourth of U. S. exports. This nation is the largest exporter and the second

---

Remarks by Assistant Secretary of Agriculture George L. Mehren at the Western States Democratic Conference, Salt Lake City, Utah, September 20, 1963.

---

largest importer of agricultural commodities. Current trade patterns, in terms of commodity dimensions, are marked basically by goods in long supply here. Thus, about one-fourth of foreign shipments have been wheat, followed by feed grains, cotton, oil seeds and products, fruits and vegetables, tobacco, rice, and dairy. These commodity groups together account for some 95% of foreign shipments. In terms of areas, American shipments go to about 125 nations, although some 15 countries account for more than 70% of the value. The EEC nations take about \$1.2 billion per year, with about one-half billion to the United Kingdom and some \$2.4 billion to Europe as a whole. Japan has taken about a half billion dollars per year, and all of Asia and the Far East including Japan accounts for about \$1.3 billion per year. There are substantial differences among regions of the world with respect to the availability of purchasing power and of dollar exchange.

Thus, the commercial market for American commodities presently is defined largely by Western Europe, Canada, and Japan. Among the nondollar exported commodities, more than one-half represent grains. About one-third of the dairy shipments, one-fourth of cotton and oil seeds and products, and one-sixth of tobacco shipments are not on a dollar basis. Over the past decade, about one-third of the shipments of American farm goods have moved without dollar returns. Thus, our aided shipments involve a few price supported commodities shipped to a few low income areas. Accordingly, only about \$3.5 billion of the reported \$5 billion of shipments actually returned dollar exchange.



About one-fifth of the remaining \$3.5 billion of American shipments also received some type of export payments, reducing their prices below levels prevailing domestically. About 98% of the aggregate export payments of \$667.5 million were paid for wheat, cotton, rice, and dairy products. These same four commodities account for some 72% of nondollar shipments. Wheat alone comprises some 54% thereof.

A large part of American foreign trade does not in fact return dollars usable outside the recipient countries. Yet, last year some \$2.4 billion of exports, about 47% of the total, moved for dollars and with no subsidies. Even in the EEC, EFTA countries and Japan, there were substantial payments. Exports to Canada come close to the classical definition of commercial trade. Over the long run, exports to the United Kingdom have trended downward, but offsets from other western European countries have kept their proportion of total U. S. trade stable at from 40 to 41 percent. Canada has also remained stable at about one-tenth of our sales. Exports to Asia and the Far East have increased from a range of 12 to 18 percent to present levels of about 25 to 28 percent of total U. S. farm exports.

In fact, there are drastic limitations to rapid expansion of commercial trade, attributable primarily to lack of purchasing power and exchange. The U. S. has immense competitive capacity in most lines of production. Old colonial relationships and the triangular trade associated therewith have tended to dissipate. Nearly all countries have developed programs requiring some protection. There have been continuous dislocations from war or threat of war. Accordingly,

it is necessary to recognize the world as it is. This means we must orient our own policies to trading in a context different from that defined classically as free trade. There are great natural barriers to immediate expansion of commercial trade. No miracle should be expected. Canada and Japan are natural trading partners. There are good potentials for expanded commercial trade in some fruits, some wheat and rice, in major feed grains, in soybeans and vegetable oils, and in animal byproducts. While no explosion should be expected, there are clear prospects of growth in present patterns of commercial trade. Agricultural policies here and elsewhere will unquestionably affect future trade patterns sharply. There seems to be no issue with respect to continuing deficits in countries now aided. Accordingly, U. S. policies may ultimately become somewhat more closely coordinated to aid needs.

The position of the United States Government is clear. We have been and are now an extremely liberal agricultural trading nation in comparison with others. We have committed ourselves unequivocally to further freeing the flow of agricultural trade. The United States has stated that it will not conclude trade and tariff negotiations unless satisfactory terms of access to foreign markets have been developed for agriculture products. Consistent with this policy is an objective to remove non-tariff barriers not justified under GATT. We must also accommodate our trade with the EEC area with respect to variable levies and related items. Specific proposals have been made with respect to specific present difficulties both in terms of commodities and countries. We have agreed to inquire into the feasibility of commodity arrangements as necessary and feasible. Positions have been taken with respect to

poultry and fruit, not only because these are major items, but because they may be precursors of general policies that could quite adversely affect this nation. Continuous and broad-scale operations to facilitate trade flows have been undertaken by the American Government. All told, good accommodation has been made to trading in a difficult context over the past several years. The position taken by the United States is a reasonable one. There is potential for trade and our policies have been explicitly designed to achieve such expansion.

-----

U. S. DEPT. OF AGRICULTURE  
NATIONAL AGRICULTURAL LIBRARY  
FEB 10 1964  
C & R-PREP.



A280.39  
M472  
Sept 16, 1963  
cop-2

OPPORTUNITIES FOR STRENGTHENING SERVICE TO THE PUBLIC  
IN AGRICULTURAL MARKETING

This is the thirtieth anniversary of the Federal Milk Order Program. It is the fiftieth year of organized marketing work by the USDA. You have played a prominent and successful part. Programs so difficult and complex, and operated in the context of drastic change that has occurred over these three decades, bear high testimony to efficient and useful operation. This success means that on the whole the orders must have been aimed at long run goals. They must also have served the long run interests of the groups involved. I am told that once you have been invited to develop a program for an area, you have virtually never been permitted to leave. Your service stripes have been richly earned. Your function has been useful, and it has been well and ably discharged.

The performance of these orders bears heavily against the advice of Adam Smith - almost two hundred years ago - that the best public service any government could perform would be to keep its dead hand away from all commerce. This warning has been much better remembered than his admonitions against large scale private enterprise and against doctors of medicine. Despite the general impression that still seems to prevail in many areas, governments have always played a role in marketing. Always, in all ages, the proper role of such government participation has been the subject of hot debate.

---

Remarks by Assistant Secretary of Agriculture George L. Mehren at the annual conference of Federal milk market administrators of the U. S. Department of Agriculture, at the Broadmoor Hotel, Colorado Springs, Colorado, 1:30 p.m., (MST), September 16, 1963

---

Beyond question, the market system of today could not conceivably function without some types of service and regulation by government.

There should be study at all times of the proper role of government in marketing, and there should be free and uninhibited debate. But again, this is not to say that government should not participate at all. On the contrary, what seems now to be most required in order to determine the optimum functions of government is to obtain far more knowledge of the operations of the marketing system today. And here, there is difficulty. In the past two or three decades, there have been more revolutionary changes in the distribution of food stuffs in this country than in all of its previous commercial history. Some of these changes are easy to see. Producers are increasingly remote from consumers - in miles and in terms of intervening functions. Specialization of production and of processing are in part the reasons for this change, and organization and increasing per capita income are also involved. The cost of marketing both in magnitude and as a fraction of the consumer's dollar has risen. Partly, this rise is attributable to distance, to new functions and services, in some measure perhaps to promotion, and to rising labor costs. Last year, the cost to consumers of food produced in this country was more than sixty-four billion dollars, and almost forty-three billion dollars of that value was added by the marketing process. Yet, choice open to consumers is wider than ever before, quality is generally high, new products in prefabricated and convenient forms are born each day, and cost as a fraction of income is lower than ever before or in any other nation.

(More)---

USDA 3095-63



The marketing orders that you administer were born some thirty years ago. They came in a context of deep depression. They came after many years of violent fluctuation in prices and returns. They represented the efforts of the Congress of the United States to find means to stabilize production, prices and income in this essential industry. They were not designed as monopoly instruments. They were not designed to give special privilege to producers or to handlers. As in the parallel orders applicable to fruits and vegetables, the passage of the statute and its later amendments recognized the basically different attributes of these industries from those in non-agricultural sectors. Thus, provision was made under stringent statutory requirements - buttressed by Departmental regulations, the terms of orders and decisions by courts - for presentation through public hearings of the views of industry. Provision has always been made for access by industry and by the public to the government in the processes of administering these orders. It is a tribute to effective operation of these programs that they have survived and performed well in a period of drastic market change.

There has been much talk of the rise of mass distribution, characterized by larger procurement units and by development of quite new methods and channels of transferring products. These new agencies have clearly served the public well in many ways. Yet none of us has full understanding of the full or final impact of these changes upon some of the sectors of the agriculture economy.

(More)

USDA 3095-63

Mass distribution requires production of large amounts of uniform-quality products. Thus, product attributes, sales and delivery terms, and even the processes of price determination and price registering are far different from what they were a few years ago. Product values have changed in consequence of the degree to which they reflect engineering and merchandising necessities of the new system.

There are many other changes - classified and re-classified by many people in many different ways. Surely, the changes in the milk industry have been as sharply defined and as difficult of easy adjustment as in any other part of the food industry. It is not easy to obtain the knowledge that is required to determine how this part, and in fact all of the parts of the food industry, should adjust themselves in the future. The Milk Order Program, through provision for public hearing, and for participation by industry and public-interest groups in administration, has a real advantage. These provisions for expression of viewpoint of the interested groups - the participants in the marketing process from the farmer through to the consumer - provide means to determine what the changes have been, why they have occurred, where they seem to be going, and what, if anything, should be done to meet them. Basically, in terms of daily operation of these programs, the government serves as a sort of a referee under standards set down by law. In another sense, it is a protector of the public interest as defined in law by the representatives of the public.

(More)

USDA 3095-63



There have been some few people who have suggested that government retire completely from the regulation of markets such as milk. Others have in effect suggested that government assume complete control. Legally, government can do neither. Legally, and actually, the government cannot delegate any of its powers to any industry or to any group. Thus, market orders ultimately are orders of the only agency that can issue binding orders. Yet, the law, the regulations, the procedures and the orders themselves are explicitly designed to avail of industry advice. Without such industry participation, it seems to me that the Milk Order Program would be drastically weakened. Industry and the public must always have access to hearings, to review, to petition, to adjustment and, if necessary, to termination. Without such access, I think that we would lose the vitality that industry now brings to these programs. We would also hamper the effectiveness of government participation.

The record we know to be good. The law has proved itself. The procedures developed under that law have succeeded. The work of the milk market administrators is clearly successful. The public interest has been served. Yet, once more, the changes in the milk business going on now are no less drastic than those elsewhere. Accordingly, we clearly need two things. We need the appraisal by industry people of these changes. We need their advice with respect to adjustment. Then, the people in the milk industry, like people in all other parts of the food industry, must make their adjustments.

(more)

USDA 3095-63

For one thing, local problems in the milk industry must be looked at in terms of the broad perspective of a regional and perhaps a national market. With technological and marketing advances bringing constantly greater movement of milk between Federal order markets, unreasonable restrictions cannot be established. This was never the intent of the program. Its major intent was to insure production of adequate milk in the winter time and sensible management of the consequent summer surpluses. Yet, there is no doubt that it becomes increasingly necessary to think in terms of one milk market rather than in terms of eighty-three separate entities.

I do not think that in our lifetime we will be free of debate with respect to government participation in the marketing of milk and other food products. Perhaps the debate will grow hotter as change accelerates. Pure competition is a textbook concept. It has never existed. There has always been need for some measure of government regulation and of government service in industries like this. The degree of market perfection in the food industry has been enhanced immensely by accurate market news, by inspection and grading, by research and by the development of accepted rules of commercial practice and trading. These have been functions of government which today are not seriously questioned. Yet, there is the age-old difficulty of determining not merely the kind of services to be performed by government, but further to determine the line between public interest and unwarranted interference. Output of milk within a year cannot easily be adjusted to changes in demands within a year. Milk production is basically atomistic and stability cannot really be expected by individual adjustments made in terms of individual self interest. The facts are amply demonstrated.

Thus, it seems likely that the role of government in the milk industry will be somewhere between the extreme and nonexistent concept of laissez-faire and the equally extreme and nonexistent concept of outright government control. Edwin Nourse described the milk order program well: "What has been created is a truly unique marketing institution, neither quite free nor fully controlled but heavily 'conditioned' by both the private and public mechanisms and policies."

The milk order programs have provided a unique basis for collection of complete and accurate data with respect to trends in this industry. Washington first began the collection of agricultural market data in 1791, when he sent out a circular letter addressed to "Several Gentlemen, the best informed on agriculture ... in the States of New Jersey, New York, Pennsylvania, Maryland, and Virginia." In these fluid milk market areas there is a virtually complete audit of basic information. Thus, we are or could well be better informed on some aspects of market change in milk than in any other industry.

During these thirty years of depression, war, boom and change, there have been abrasions and tensions in the administration of these programs. There are abrasions and tensions now which represent the adjustments of this industry to the total changes taking place in the American economy. Perhaps we still do not know precisely what is ahead in terms of industry adjustment or in the precise role that government best can play.

(more)

USDA 3095-63



All of us want to safeguard our competitive marketing system. All of us also want to assure that those agricultural industries which require limited authorization for combined activity under regulation by government shall have it in the interest of the public at large. The success of these programs in the past has been determined by their contribution to that public interest. There will be much more change ahead. Of only one thing can we be sure - that sensible awareness of that which has changed, sensible adjustment of these programs thereto, and maintenance of the public interest will continue as the bases for honorable and effective operation of these programs. I think personally that all of the economy is indebted to you - and perhaps especially the consumer segment. I hope that the continuing adjustments necessary to maintain this proud record will be made.

USDA 3095-63

-----  
C & R-PREP  
FEB 10 1964  
U. S. DEPT. OF AGRICULTURE  
NATIONAL AGRICULTURAL LIBRARY